

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA



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COMMISSIONER CLIFF RECHTSCHAFFEN, In attendance
ADMINISTRATIVE LAW JUDGE PETER V. ALLEN presiding

Order Instituting Investigation on)	Evidentiary
the Commission's Own Motion to)	Hearing
Consider the Ratemaking and Other)	
Implications of a Proposed Plan for)	
Resolution of Voluntary Case filed)	
by Pacific Gas and Electric Company,)	Investigation
pursuant to Chapter 11 of the)	19-09-016
Bankruptcy Code, in the United)	
States Bankruptcy Court, Northern)	
District of California, San)	
Francisco Division, In re Pacific)	
Gas and Electric Corporation and)	
Pacific Gas and Electric Company,)	
Case No.19-30088.)	

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1 SAN FRANCISCO, CALIFORNIA

2 MARCH 3, 2020 - 9:35 A.M.

3 * * * * *

4 ADMINISTRATIVE LAW JUDGE ALLEN: On the
5 record. Good morning, everyone. We are back
6 at evidentiary hearings in Investigation
7 19-09-016. I'm Administrative Law Judge
8 Peter Allen. With me on the bench today is
9 Commissioner Rechtschaffen.

10 Preliminary housekeeping, I believe
11 PG&E has some.

12 MR. WEISSMANN: Thank you, your Honor.
13 Good morning. Henry Weissmann for PG&E. I
14 wanted to just make a statement regarding the
15 fact that yesterday PG&E filed an amended
16 equity backstop commitment letter so the
17 prior one is not in the record. It was
18 referenced in Mr. Wells' testimony.

19 So the updated one -- we're not
20 proposing to put it in the record. It's a
21 publicly available document. It was filed
22 with our 8K yesterday, but I just wanted to
23 make sure that there was awareness around
24 that development.

25 ALJ ALLEN: And it was filed where?

26 MR. WEISSMANN: It was filed with the
27 8K and it will be filed with the bankruptcy
28 court.

1 ALJ ALLEN: Okay. Thank you.

2 Mr. Manheim, I believe you had a
3 matter as well.

4 MR. MANHEIM: Thank you, your Honor.
5 In the Statement of Counsel that I made
6 yesterday, there was one smaller error. I'd
7 like to clarify.

8 I said that the Plan of
9 Reorganization does not include any costs
10 associated with PG&E's operations. It solely
11 addresses the resolution of claims and the
12 financing and the raising of capital to pay
13 those claims.

14 That was incorrect because the
15 financing, the refinancing that is being done
16 to the bankruptcy is a complete refinancing,
17 so the Plan of Reorganization addresses the
18 full refinancing of PG&E's debt, not just
19 those solely to pay claims.

20 ALJ ALLEN: Okay. Thank you.

21 MR. ABRAMS: Your Honor?

22 ALJ ALLEN: Mr. Abrams.

23 MR. ABRAMS: Sorry, just also along
24 those lines on a procedural matter, I also
25 want to let the Commission know that I filed
26 an appeal to the RSA last week so that should
27 be heard hopefully within a week regarding
28 that appeal.

1 ALJ ALLEN: And that's filed with the
2 bankruptcy court?

3 MR. ABRAMS: That's filed with the
4 bankruptcy court, yes.

5 ALJ ALLEN: Okay. Thank you.
6 Other preliminary matters?
7 Mr. Alcantar.

8 MR. ALCANTAR: Your Honor, I've
9 provided to you as a courtesy to my
10 colleague, Ms. Sheriff, CLECA Exhibit 2 that
11 was left somewhat incomplete yesterday. As I
12 understand from PG&E, other CLECA exhibits
13 have not yet been moved into the record
14 either.

15 I don't know how or when you wish to
16 handle that, at the end of proceedings or
17 otherwise, but I wanted to make sure we made
18 note of the provision of this completed,
19 now-fully-documented CLECA Exhibit 2.

20 For those who are looking for extra
21 copies, they've been served, but if there's
22 extra copies, we have some available.

23 ALJ ALLEN: And then are you moving the
24 admission of CLECA 2 on behalf of
25 Ms. Sheriff?

26 MR. ALCANTAR: Well, I'm trying to -- I
27 had understood mistakenly that other CLECA
28 exhibits had been moved and --

1 ALJ ALLEN: I actually think the other
2 CLECA exhibits may have been moved. Let me
3 check. Off the record.

4 (Off the record.)

5 ALJ ALLEN: On the record.

6 CLECA 1 and 1-E have already been
7 admitted to the record. CLECA 2 has not
8 been.

9 MR. ALCANTAR: Then I would seek the
10 admission of CLECA 2 into the record.

11 ALJ ALLEN: Is there any objection to
12 the admission of CLECA 2 into the record?
13 Seeing none, CLECA 2 is admitted.

14 (Exhibit No. CLECA-02 was received
15 into evidence.)

16 MR. ALCANTAR: Thank you, your Honor.

17 ALJ ALLEN: Thank you, Mr. Alcantar.

18 There's an updated order of
19 witnesses as was discussed yesterday.
20 Mr. Alcantar, your witness is Witness Gorman;
21 is that correct?

22 MR. ALCANTAR: That is correct, your
23 Honor.

24 ALJ ALLEN: And I understand if we
25 extend onto Thursday, that you're not
26 available on Thursday; is that correct?

27 MR. ALCANTAR: That is also correct.

28 ALJ ALLEN: We can revisit this, but

1 what I'd like to do in that case is, Mr. Fox,
2 if need be, are you and Witness Beach
3 available on Thursday?

4 MR. FOX: I'm afraid not, your Honor.

5 ALJ ALLEN: Okay. Let's do this. We
6 have some potential scheduling crunches.
7 Let's go ahead and resume Mr. Kenney for now
8 and parties can confer over morning break and
9 maybe at lunch. If parties can work out
10 something to make sure that if we go on
11 Thursday, we actually have someone who can be
12 here on Thursday.

13 Otherwise, I'm going to have to do
14 some pretty long days I think. Actually, let
15 me make a sort of preliminary statement
16 because I'm looking at some of the cross. I
17 also want to apologize slightly because I
18 know that I got a little snappish with the
19 parties, particularly, I think, Ms. Sheriff,
20 who is not here, about the availability of
21 transcripts and that there's a problem with
22 getting transcripts quickly when we have long
23 hearing days.

24 There's a side effect to that that
25 I'm not sure all the parties are aware of,
26 which is if you are cross-examining multiple
27 witness -- if a party has multiple witnesses,
28 it's very useful when cross-examining that

1 party to have transcripts quickly to
2 cross-examine later witnesses to that same
3 party.

4 So one of the things that happens is
5 if parties do a lot of cross, then it's not
6 available for that purpose and so what ends
7 up happening here as a practical matter is
8 that gives a handicap because PG&E is the one
9 who has the most witnesses here.

10 So essentially what happens is it's
11 a handicap to the parties who are trying to
12 cross-examine PG&E. So to the extent that
13 parties are doing long cross on witnesses
14 that may or may not be productive, the side
15 effect of that is to give a litigation
16 advantage to PG&E, so that I would recommend
17 different parties, Mr. Abrams included, to
18 bear that in mind.

19 The longer cross you do, the slower
20 the transcripts are and the bigger advantage
21 to parties with multiple witnesses like PG&E
22 because that's when having quick transcripts
23 is most useful to the parties.

24 The other thing is I can tell you --
25 and parties who have read my decisions
26 probably know -- the main thing I use when
27 writing a proposed decision, and I'll be
28 writing the proposed decision in this case,

1 are the briefs. That's my main reference. I
2 will refer to the transcript and cite the
3 transcript. I will refer to the testimony
4 and cite to the testimony. But the main
5 thing I use are the briefs.

6 In this case we have a very short
7 turn-around from hearings to briefing. So,
8 the longer we're in hearings, the less time
9 parties have to prepare their briefs. If
10 you're trying to give something that's the
11 most useful to me, it's most useful to make
12 sure your brief is really good and that what
13 you do in the hearing room is particularly
14 concise.

15 The other thing that happens is
16 because we have a very short time period
17 between hearings and briefing, the longer the
18 cross goes and the less time there, the
19 bigger advantage there are to the parties who
20 have the most resources. And, again, in that
21 case, this is PG&E.

22 I mean, Mr. Abrams, for example,
23 you've probably noticed that PG&E has had
24 four different counsel, outside counsel plus
25 Mr. Manheim in this case. No other party has
26 this level of resources in this case. Others
27 may have it somewhat available, but the
28 longer that the cross goes, the more it also

1 actually acts to the advantage of PG&E.

2 Now, if that's your intention, which
3 I don't think it is, but lengthy
4 cross-examination has some side effects, and
5 I can tell you that, while I will use some of
6 the cross-examination, some of what we've
7 had, and not just from you certainly, is of
8 limited use for me.

9 I'm not going to make a decision in
10 this case on how PG&E operates its PSPS
11 shutoffs. It's not something I'm going to
12 do. I'm not approving a Wildfire Mitigation
13 Plan. There are other proceedings for that.
14 So, making sure that the cross-examination is
15 focused on the issues that I really need to
16 decide is going to be the most useful.
17 Making sure that all the parties have a
18 chance to prepare good briefs is useful.

19 If this was a case where there are
20 three weeks between hearings and briefing,
21 running an extra day or running an extra
22 couple days wouldn't matter. If this was a
23 case where PG&E went first and then the other
24 parties filed a brief, it wouldn't matter.
25 We don't have that. We have a very short
26 turn-around time. And so I would just urge
27 parties to be very efficient in their cross.

28 With that, what I'm going to do is

1 at the morning recess, not right now, but at
2 the morning recess, just after the morning
3 recess, I'm going to ask for a revisit on
4 cross-examination estimates and see if there
5 are either revised downward estimates or a
6 potential waiver of cross on some of the
7 parties.

8 I think I can extend until Thursday.
9 It looks like that may be problematic for the
10 parties so I would prefer not to. So with
11 that, are there any other preliminary matters
12 we need to do before we resume with
13 Mr. Kenney?

14 Mr. Abrams.

15 MR. ABRAMS: Your Honor, respectfully,
16 does this predicament that you've just
17 described, does that not provide a remedy in
18 terms of having another round of this when
19 the plan is complete? Because part of this,
20 the reason for what you just described is
21 that we have a moving target of a plan. We
22 have thousands of pages that have been
23 released by PG&E that parties that you
24 rightly point out with less resources like
25 myself are trying to wade through and trying
26 to examine the very many witnesses that are
27 put forward and make sure that those things
28 are considered.

1 So, if we had an actual hearing like
2 this where we could cross-examine witnesses
3 on a fully-baked plan, I think that that
4 would provide a remedy.

5 ALJ ALLEN: Well, there's a couple
6 things. One of them is a lot of the
7 cross-examination that I've seen has not been
8 on the plan. It's been on testimony that's
9 been put in on issues relating to the plan.

10 The other thing is, as I'd said
11 before when I denied your motion for public
12 participation hearings, I don't know when I
13 can do that. In a perfect world, yes, there
14 would be a much longer time. I would much
15 prefer that I could wait for PG&E to finalize
16 a plan, give the parties time to look at it,
17 give parties time to do discovery, give
18 parties plenty of time to prepare testimony,
19 give them a nice break in time to prepare
20 from testimony to hearings, run hearings for
21 however long we needed to run hearings, give
22 parties two weeks from hearings to briefing,
23 give parties plenty of time for reply briefs,
24 and give myself a couple months to write a
25 proposed decision. That would be, from my
26 perspective, that would end up in a much
27 better result.

28 Unfortunately, AB-1054 has set a

1 deadline. While theoretically the Commission
2 doesn't have to meet that deadline, I have no
3 intention of putting the Commission into the
4 position of not meeting the deadline. So
5 what I am trying to do is make sure that this
6 Commission can meet the deadline set by the
7 state legislature in AB-1054.

8 In order for me to do that, we have
9 this very accelerated and not far from
10 optimal schedule. And so your point is
11 absolutely correct, it's absolutely well
12 taken, and I cannot accommodate it given the
13 statutory deadline.

14 MR. ABRAMS: Sorry, your Honor, just a
15 question on that. That AB-1054 deadline is
16 PG&E's deadline. To the extent that they
17 didn't finish up their negotiations earlier
18 to give the Commission and parties and
19 everybody a chance to review their plan and
20 follow the schedule that you just outlined is
21 because PG&E is late getting to this point
22 and that June deadline is their deadline.

23 Why is that deadline now being
24 pushed on us to hurry up and come to a
25 decision, victims to hurry up and vote before
26 the June deadline? Why is that on us? I
27 mean, it was meant to be a deadline for PG&E;
28 right?

1 ALJ ALLEN: It's a deadline for PG&E to
2 be discharged from the bankruptcy court, a
3 plan to be approved. I'm forgetting the
4 exact words. My understanding, and I have
5 not looked at it super carefully, is that
6 meeting the deadline or failing to meet the
7 deadline is worth a very large sum of money,
8 and I'm not going to put this Commission in
9 the position of saying, oh, sorry, we're
10 going to take a little more time and not meet
11 that deadline.

12 So, if you believe that it's gone
13 unfairly and you can get the legislature to
14 change the deadline in the next couple weeks,
15 I'm happy to do a slower process. Given that
16 the statutory deadline exists, regardless of
17 how fair or unfair it is, I intend to meet
18 that deadline.

19 Mr. Alcantar.

20 MR. ALCANTAR: Not on that subject,
21 your Honor, I wanted to make sure I
22 contributed to your request from earlier. I
23 have about 55 minutes, if I calculate
24 correctly, of waived time to offer to you
25 right now if you want to hear it.

26 MR. WEISSMANN: Can we talk about this
27 later?

28 MR. ALCANTAR: Sure.

1 ALJ ALLEN: Why don't we revisit after
2 the morning recess.

3 MR. ALCANTAR: Absolutely fine.

4 ALJ ALLEN: Okay. Anything else
5 before -- so Mr. Kenney has resumed the
6 stand.

7 Mr. Kenney, I would just remind you
8 you're still under oath.

9 THE WITNESS: Yes, thank you.

10 ALJ ALLEN: Off the record.

11 (Off the record.)

12 ALJ ALLEN: On the record. A number of
13 parties waived some of their cross for
14 Mr. Kenney, which is helpful, so there will
15 not be cross from Public Advocates, from City
16 and County of San Francisco, and Marin Clean
17 Energy Association. We're going to start
18 with EPUC and TURN.

19 Who is starting now?
20 Mr. Finkelstein.

21 MR. FINKELSTEIN: Thank you, your
22 Honor.

23 ROBERT KENNEY,
24 resumed the stand and testified further as
25 follows:

26 CROSS-EXAMINATION

27 BY MR. FINKELSTEIN:

28 Q Good morning, Mr. Kenney. Bob

1 Finkelstein for TURN. Nice to see you.

2 A Good morning. You too, thank you.

3 Q Let me get you to turn to page --
4 let me get a microphone. Mr. Kenney, let me
5 get you to turn to page 10-3 of your prepared
6 testimony.

7 A I'm there.

8 Q At the top of the page there is the
9 heading "Rate Neutrality." Do you see that?

10 A Yes.

11 Q And is rate neutrality a term that
12 PG&E uses interchangeably with the
13 neutral-on-average phrase that shows up in
14 the statute?

15 A We have used it interchangeably,
16 but the statutory language is neutral on
17 average.

18 Q Okay. And you're not intending to
19 indicate anything different by using the term
20 "rate neutrality"; is that correct?

21 A For purposes of this discussion, I
22 think that's fair.

23 Q At lines six through eight on
24 page 10-3, you have a sentence that states
25 what neutral on average is or how the
26 standard should be applied. Do you see that?

27 A Yes.

28 Q It's correct to understand that

1 this is a PG&E-developed standard? This
2 isn't something you found in a statute or a
3 Commission decision; is that correct?

4 A It's our interpretation of
5 section 3292, so it's how we're interpreting
6 3292(d)(1)(d).

7 Q And it's an interpretation that was
8 developed by PG&E rather than something that
9 you've lifted from a Commission decision or
10 from some other part of the statute. Is that
11 a fair statement?

12 A I think that's fair, sure.

13 Q And in the material on lines six to
14 eight on 10-3, you talk about the plan by its
15 terms not requiring ratepayers to pay more in
16 rates. I'm paraphrasing, but do you see that
17 language?

18 A Yes.

19 Q Is it your understanding that
20 PG&E's plan by its terms says nothing about
21 rates?

22 A Yes, that's correct.

23 Q On the same page at lines 17
24 through 19, do you see that?

25 A Yes.

26 Q And here you're talking about
27 changes in rates that might occur after
28 PG&E's emergence from bankruptcy. Do you see

1 that?

2 A Yes.

3 Q And the sentence continues
4 "independent of the plan." Do you see that?

5 A That's right, yes.

6 Q So to your mind, both those
7 conditions would have to be met, they'd have
8 to be costs after the emergence from
9 bankruptcy and costs that are independent of
10 the plan?

11 A I'm not sure I understood your
12 question. Those conditions would have to be
13 met for what purpose? I didn't understand
14 your question. I'm sorry.

15 Q Well, let me put it this way: You
16 understand that one of the points of
17 contention to date has been the treatment of
18 professional fees that PG&E has incurred in
19 order to pursue its bankruptcy petition; is
20 that correct?

21 A Yes.

22 Q And I may not -- my notes may not
23 have been perfectly accurate, but I think --
24 were you here when Mr. Wells testified to a
25 ballpark figure for those fees?

26 A Yes, I was.

27 Q Was it \$1.6 billion?

28 A That sounds correct.

1 Q What if after PG&E's emergence from
2 bankruptcy the utility were to seek rate
3 recovery for some of or all of those fees?
4 Is that something that would be consistent
5 with this language here on lines 17 through
6 19?

7 A So, specifically with respect to
8 professional fees, I think Mr. Wells also
9 testified that with the exception of certain
10 professional fees associated with the RSA, we
11 wouldn't be seeking those. And to the extent
12 that we're seeking fees associated with
13 refinancing, those costs are exceeded by the
14 savings that are ultimately realized thereby
15 satisfying the rate neutrality component of
16 3292.

17 Q Let's assume for purposes of this
18 question that after emergence, PG&E changes
19 its mind and decides that it wants to collect
20 some portion of the professional fees in
21 excess of the subset that you just described.
22 Do you have that assumption in mind?

23 A I hear the hypothetical, yes. I
24 have it in my mind, yes.

25 Q If that were to happen, would that
26 be something that is prohibited under neutral
27 on average as PG&E understands the term?

28 A I don't know if that would be

1 prohibited by 3292 primarily because we're
2 not intending to seek those professional fees
3 with the exception that I just acknowledged
4 and by virtue of the fact that whatever
5 financing fees we would be seeking are
6 exceeded by the benefits thereby realized, so
7 I can't -- I'm not sure I can answer your
8 question.

9 Q Well, let me ask it this way,
10 Mr. Kenney: Looking at lines 17 to 18 on
11 page 10-3 where you state:

12 Changes in rates that occur as a
13 result of other Commission
14 decisions after PG&E's emergence
15 from bankruptcy.

16 Do you see that?

17 A Uh-huh, yes.

18 Q By that, do you intend to limit
19 those to Commission decisions that deal with
20 costs that are incurred after PG&E's
21 emergence from bankruptcy?

22 A I think what's intended by lines 17
23 through 19 are changes in rate that would
24 occur in the ordinary course such as those
25 that would be attributable to our general
26 rate case or the cost of capital or another
27 proceeding that would adjust rates. I think
28 that's what we intend by those lines 17

1 through 19.

2 Q And when you say "in the ordinary
3 course," I'm assuming that PG&E's
4 professional fees associated with the
5 bankruptcy would not be deemed in the
6 ordinary course?

7 A I'm not sure how those would be
8 treated.

9 Q So can PG&E state at this time that
10 it will definitively not seek rate recovery
11 ever for those professional fees?

12 A So, I think my testimony and I
13 think Mr. Wells' testimony is that with the
14 exception of those professional fees
15 associated with renegotiation of the RSA and
16 the resulting refinancing of that high cost
17 debt, we won't be seeking professional fees.

18 Q Right. I understand that PG&E is
19 not seeking recovery of those professional
20 fees under its position today. I'm asking
21 for going into the future is that a
22 commitment that the Commission can rely on to
23 mean that PG&E would never seek to recover in
24 rates those professional fees?

25 A The only reason I'm hesitating is
26 because to say never, I just -- we have no
27 expectation of seeking recovery of those
28 fees.

1 the mechanism most appropriate to recover
2 those claims that would not impact our
3 customers and would hope and expect that the
4 Commission would approve that application
5 because of the fact that it is customer
6 protective and rate neutral.

7 Beyond that, I would not be able to
8 speculate as to what we might do if the
9 Commission didn't approve it, and we would
10 have to recess our options at that time.

11 Q Still on page 10-3 of your prepared
12 testimony, lines 24 through 25, you have a
13 sentence that begins: "The cost recovered
14 from customers"; do you see that?

15 A Oh, sure. On line 22, "The cost
16 recovered from customers," yes.

17 Q Yes. And then it continues to say
18 that "result from activities described in the
19 plan"; do you see that?

20 A Yes.

21 Q Other than financing activities,
22 are there any other activities described in
23 the plan?

24 A No, not described in the plan.

25 Q Then the sentence continues and
26 refers to "a departure from the baseline."

27 Can you briefly - emphasis on
28 "briefly," Mr. Kenney - describe what the

1 baseline is that you're referring to here?

2 A So the baseline referred to there
3 are the rates that are in effect irrespective
4 of the Chapter 11.

5 Q Is there a time element to the
6 baseline; that is, is the baseline tied to
7 PG&E's emergence from bankruptcy such that
8 after emergence, the baseline either doesn't
9 exist or is changed somehow?

10 A So I think what's most important is
11 that --

12 MR. FINKELSTEIN: Objection, your
13 Honor. I think when he starts with "I think
14 what's most important," it may be direct.

15 ALJ ALLEN: Thank you. Please just
16 answer the question.

17 THE WITNESS: Can you repeat it? I'm
18 sorry.

19 BY MR. FINKELSTEIN:

20 Q Sure. Is there a time element to
21 the baseline that is tied to, say, PG&E's
22 emergence from bankruptcy such that either
23 the baseline no longer exists or it changes
24 after emergence?

25 A So I'm not sure there's a temporal
26 limitation on the baseline. The baseline
27 refers to those rates that are in effect
28 irrespective of the Chapter 11.

1 Q Would it be possible under PG&E's
2 understanding of the neutral on average
3 provision for costs to be incurred after
4 PG&E's emergence from the bankruptcy and
5 still trigger the neutral on average
6 language?

7 A There will be costs incurred after
8 we emerge from bankruptcy that would not
9 trigger 3292; is that what you are asking me?

10 Q I was actually asking the reverse.
11 Are there any costs that would be
12 occurred after emergence from bankruptcy that
13 would trigger neutral on average?

14 A No. If, going back to the original
15 definition of -- and our understanding of
16 3292, the plan by its terms does not raise
17 rates, and so -- so, no.

18 MR. FINKELSTEIN. That's all I have,
19 Mr. Kenney. Thank you very much.

20 Thank you, your Honor.

21 ALJ ALLEN: Let's go off the record for
22 a minute.

23 (Off the record.)

24 ALJ ALLEN: On the record.

25 Mr. Long.

26 CROSS-EXAMINATION

27 BY MR. LONG:

28 Q Good morning, Mr. Kenney.

1 A Good morning, Mr. Long.

2 Q I just have a couple of follow-up
3 areas from the cross of Mr. Vesey that he
4 deferred to you; so I'm going to refer you to
5 Mr. Vesey's chapter.

6 A Sure.

7 Q Page 5-6.

8 A I'm there.

9 Q At line 4, there's a sentence that
10 reads: "PG&E will consult with the
11 Governor's Office and CPUC regarding the
12 identity of the initial post-emergence CRO."

13 CRO there stands for Chief Risk
14 Officer. Will this consultation process in
15 your understanding be a public or private
16 process?

17 A So I think the consultative process
18 that's referred to there -- I don't want to
19 call it a private process because I don't
20 know exactly what that entails, but I don't
21 envision a public process for what ultimately
22 amounts for a personnel discussion.

23 Q Thank you.

24 Will the consultation process
25 happen before or after the board votes on the
26 identity of the chief risk officer?

27 A You know, I don't know the answer
28 to that question. I would expect that we

1 would seek input from the elected and
2 appointed officials before the decision is
3 fully determined, but when in the process
4 that would happen, I can't be entirely sure.

5 Q Okay. But PG&E's contemplation is
6 that this process of consultation will not be
7 done in a way that the interested
8 stakeholders other than the governor and the
9 PUC would have an opportunity to offer their
10 views; is that fair?

11 A I don't contemplate that there was
12 going to be a public process that will seek
13 out input from other stakeholders besides the
14 elected and appointed officials represented
15 in the governor's office and the CPUC.

16 Q Okay. Let's now turn to page 5-8,
17 and at the top there, there's the reference
18 to -- at line 1, there's a reference to a
19 quarterly in-person report to the CPUC staff
20 in conjunction with the independent safety
21 adviser. Do you see that?

22 A Yes. I think it's the continuation
23 of a list from the preceding page. I'm just
24 looking back.

25 Q That's exactly right. I'm just
26 trying to move us along, but do you
27 remember -- do you recall what that report is
28 about? Take a moment to refresh yourself, if

1 you would like.

2 A Okay.

3 Q Same sort of question. Is it
4 PG&E's intention to make those quarterly
5 reports, which are described as "in person,"
6 available to interested stakeholders in
7 writing?

8 A I don't know. And I'm not -- I'm
9 not being cagey. I just don't think that we
10 definitively determined that fact. I think
11 we would want to consult with the CPUC and
12 seek their input on how they would envision
13 that process operating.

14 So I can see benefits to releasing
15 them in public. I can also see benefits to
16 maintaining them confidential. I'm happy to
17 discuss both of those, but I think we will
18 make that determination after we've had an
19 opportunity to maybe seek input from the CPUC
20 staff and the CPUC as a whole.

21 MR. LONG: Those are all my questions,
22 your Honor.

23 ALJ ALLEN: Thank you, Mr. Long.

24 Mr. Alcantar.

25 MR. ALCANTAR: Thank you, your Honor.

26 CROSS-EXAMINATION

27 BY MR. ALCANTAR:

28 Q Good day, Mr. Kenney.

1 A Good morning.

2 Q I'm trying to be scrupulously
3 careful about not repeating or going back
4 over the questions asked by my colleagues at
5 TURN. So let me ask you first to expand upon
6 your assessment of the requirements
7 associated with AB 1054.

8 And let's start with the
9 Commission's obligation. Any costs that
10 arise from the assumptions you've made about
11 rate neutrality are subject to the
12 Commission's review for just and
13 reasonableness to be passed through to
14 ratepayers; is that correct?

15 A That's correct.

16 Q And in addition to that overall
17 standard of just and reasonableness, AB 1054
18 lists a number of other criteria for the
19 Commission to consider, including one so
20 broad as to say "anything else the Commission
21 feels is relevant"; is that correct?

22 I can give you a reference, if that
23 will help you.

24 A I generally -- yeah, there's
25 generally some language to that effect in
26 AB 1054.

27 Q Language such that the Commission
28 will assess a number of other factors such as

1 the acceptability of PG&E's governance
2 structure, safety history, criminal
3 probation, recent financial conditions, and
4 other factors deemed relevant by the
5 Commission.

6 Is that something that strikes your
7 memory from AB 1054?

8 A That's in AB 1054, but it's in a
9 different section than the section dealing
10 rate neutrality.

11 Q Nevertheless, it informs us as to
12 what the Commission's standards will be for
13 examining rate neutrality; does it not?

14 A I'm actually not sure. I -- I --

15 Q Okay.

16 A I don't think those components that
17 you recited are components of the rate
18 neutrality analysis.

19 Q All right.

20 A I think that's a different part of
21 the analysis that the Commission has to do in
22 reviewing the overall plan as a part of its
23 OII, but I think that's separate and distinct
24 from the rate neutrality analysis.

25 Q Okay. You agree that PG&E's
26 restructuring plan is designed to allow PG&E
27 to emerge from bankruptcy; correct?

28 A Yes.

1 Q Does the plan have any other
2 financial or business purposes for PG&E?

3 A Well, I'd say the plan is designed
4 for us to emerge from bankruptcy financial
5 healthy, able to pay the wildfire victims,
6 able to continue helping California meet its
7 climate goals, and, of course, to be able to
8 continue improving upon our safety and
9 reliability track record.

10 Q And would you add, to protect
11 ratepayers from increasing costs as well?

12 A Yes. I think the whole overarching
13 goal is to be able to continue providing
14 safe, reliable, affordable, clean energy and
15 to be financially healthy to be able to do
16 those things.

17 Q So you were asked questions
18 yesterday about affordability and you quickly
19 turned that discussion into a review of
20 residential ratepayer rates; do you recall
21 that testimony?

22 A I recall responding to questions
23 from CLECA about rates.

24 Q Let me ask you about industrial
25 rates specifically and excluding anybody
26 else's. I'm just interested in industrial
27 rates.

28 Have you done any comparison of the

1 competitiveness of PG&E's industrial rates
2 compared to other states in the United
3 States?

4 A No. Not for purposes of testifying
5 today. I mean, I'm generally familiar with
6 what our industrial rate is and are, but I
7 have not done a comparison to other states to
8 assess their competitiveness.

9 Q So you don't know whether you could
10 characterize PG&E's industrial rates as very
11 high in comparison to other states or not?

12 A I wouldn't be able to characterize
13 them as very high in comparison to other
14 states, no.

15 Q Okay. Are there any future
16 scenarios under the PG&E plan as presented
17 where if expectations are not met, for
18 example, securitization just doesn't work out
19 as optimally as you have presented that it
20 will that the -- and the baseline
21 contemplated by AB 1054, as you've set forth,
22 is not met that there are assurances that
23 there will be remedial actions available to
24 the Commission to adapt the plan to protect
25 ratepayers?

26 A I'm not sure I fully understood the
27 question. I'm sorry.

28 Q Let me try. Let's start with

1 process. Let's assume that some of the
2 expectations, forecasts, projections of
3 benefits that you've described in your
4 testimony, for example, some of the debt
5 recoveries do not come to pass as planned,
6 forecasts go awry. Is there a process, an
7 early-on process, that the Commission will
8 have based upon PG&E's plan, anywhere in
9 PG&E's plan, to review, timely review,
10 remedial actions that may be undertaken to
11 bring the plan back into expectations that
12 you've provided?

13 A So I don't think we've outlined any
14 specific remedial scheme that might occur if
15 things don't come to pass.

16 The Commission, obviously, is
17 engaging in this robust process, and they
18 have an opportunity to make sure that we're
19 satisfying the AB 1054 requirements and
20 undertaking the analysis that it needs to
21 take.

22 We have not described additional
23 remedial processes, and I would have
24 confidence, though, that the Commission could
25 come up with some a remedial scheme if it
26 decided it needed to. But to your question,
27 no, we haven't described any such remedial
28 process.

1 Q If customers paid a higher debt
2 interest cost to PG&E, in whole or in part,
3 because the debt interest rate increased
4 because of PG&E filing for insolvency or
5 other related factors that caused PG&E to
6 file for bankruptcy, AB 1054 obligates PG&E
7 and the Commission to compensate customers
8 for paying these higher debt costs; yes or
9 no?

10 A Well, I don't understand the
11 question when you said higher than something.
12 I don't know higher than what. And I'm not
13 sure what in AB 1054 you're referring to that
14 would require compensation for that.

15 Q Well, I'm asking you to assume that
16 your projections on debt costs and interest,
17 as you projected, are not what they appear to
18 be; they turn out not to be accurate.

19 Do you agree that 1054 in such a
20 situation, if it violated the baseline
21 standard that you've alluded to in 1054 has
22 an obligation to remedy that situation?

23 A No. I don't agree because I
24 candidly don't understood fully understand
25 what you're driving at.

26 I'm not fully comprehending the
27 question. I'm not trying to be obtuse. I'm
28 just -- higher than, what? I'm not sure what

1 you're comparing it to.

2 Q I'm comparing it to your
3 projections, which you've embraced.

4 A But I'm not certain that those --
5 so under that hypothetical, I'm don't know
6 that those higher interest costs, to what
7 would they be attributable to the plan. If
8 they were attributed to some other exogenous
9 factor, then, no, AB 1054 would -- in the
10 3292 analysis would not apply.

11 Q So you have no opinion as to
12 whether or not such actions do or don't occur
13 because of the filing of the bankruptcy?

14 A Well, I don't have an opinion
15 because it's a hypothetical, and I'm
16 assuming -- I'm not making any assumptions as
17 to why, under your hypothetical, there would
18 be higher interest costs. I don't know if
19 they would attributable to the Chapter 11 or
20 some other force, and without understanding
21 the question completely, I don't think I can
22 give a better answer than the one I've given.

23 Q So let's assume the Commission
24 determines that higher-than-PG&E-projected
25 debt costs are, in fact, caused in whole or
26 in part, directly or indirectly, from the
27 PG&E insolvency and they ascribe that cause
28 to an increase in debt costs attributable to

1 ratepayers. Is that something the Commission
2 has an obligation to remedy under 1054 if it
3 violates the baseline standard?

4 A I think the assumption there is
5 under your hypothetical, that it is directly
6 attributable to the bankruptcy, but not
7 because of the plan, then, no, 3292 analysis
8 would not apply. In other words, if the plan
9 by its terms doesn't raise rates, then the
10 3292 analysis would not apply.

11 Q You're familiar with what's been
12 described as PG&E-08, the clarification
13 document; are you not?

14 A Is that our supplemental testimony,
15 including errata?

16 Q That's PG&E-07. I'm going to get
17 there as well. PG&E-08 is the several-page
18 clarification document?

19 A Thank you.

20 Q I'm convinced you're not, but I
21 want to make sure I ask: Do you have -- did
22 you have any responsibility for the
23 preparation or conclusions drawn in this
24 document that was sponsored by Mr. Wells,
25 primarily, and Mr. Johnson?

26 A I just want to make sure that I am
27 referring to the correct document.

28 Q Yes.

1 A Clarification in Response to
2 February 21st, Testimony of other Parties?

3 Q The one dated February 26, 2020,
4 yes. The back page has an execution block
5 and the date.

6 A So this is dated February 25th --

7 Q Interesting.

8 A -- the one I'm looking at.

9 ALJ ALLEN: Let's go off the record a
10 second.

11 (Off the record.)

12 ALJ ALLEN: Let's go on the record.

13 I handed the witness a copy of what
14 was marked as PG&E Exhibit-08, which was a
15 brief correction exhibit.

16 Mr. Alcantar.

17 MR. ALCANTAR: The document, just to be
18 clear, is entitled, "Clarifications in
19 Response to February 21st, 2020, Testimony of
20 Other Parties" and a corrected version of
21 that document is dated February 26th, 2020,
22 and that's what we're referring to.

23 THE WITNESS: I think I have the
24 correct one now.

25 BY MR. ALCANTAR:

26 Q Good. And I'm just trying to make
27 sure that I've excluded from the list of
28 questions on this document. So this is

1 something that was sponsored by Mr. Wells and
2 Mr. Johnson. I take it you did not have
3 responsibility for any portion of this
4 document; is that correct?

5 A That is correct.

6 Q Let me ask you, in that document,
7 however, Mr. Wells refers to a revised
8 spreadsheet, a revised spreadsheet, a revised
9 spreadsheet. I did not make note. I think
10 it's maybe on page 5.

11 MR. MANHEIM: It's a separate exhibit.

12 MR. ALCANTAR: It's a separate exhibit.

13 THE WITNESS: Paragraph 6.

14 BY MR. ALCANTAR:

15 Q Yes. Is that a document you're
16 familiar with, the revised spreadsheet?

17 A I'm familiar that it exists. I'm
18 not familiar necessarily with its content.

19 Q Thank you.

20 ALJ ALLEN: Are there any more
21 questions on this?

22 MR. ALCANTAR: No. I'm sorry. Done
23 with that.

24 Q I'm going to ask you about the
25 definition, as you understand it, between
26 repairs and grid hardening, and specifically
27 in contemplation of whether or not that
28 enters into your criteria in evaluating

1 whether a cost under AB 1054 is properly
2 allocated to ratepayers.

3 So let me ask you the following
4 hypothetical: Let's assume there is a PG&E
5 transmission tower with high voltage
6 connections that fails, and that transmission
7 tower causes a catastrophic wildfire event or
8 is contributory to catastrophic wildfire
9 event. Is the repair and replacement of that
10 piece of equipment properly identified as a
11 repair or as a grid hardening event that
12 would be subject to ratepayer cost
13 allocation?

14 A So I'll say two things: I don't
15 think it matters for purposes of 3292
16 analysis. The Commission would have a whole
17 separate process by which it would analyze
18 whether any of the costs associated with the
19 repair and replacement of that transmission
20 tower were properly allocated to ratepayers
21 through an OII or some other type of process.

22 So I don't know that the
23 distinction between repair, replacement, and
24 a grid hardening is relevant for the purposes
25 of a 3292 analysis; so that's my first
26 answer. Secondly, I would properly
27 characterize that as a repair and
28 replacement.

1 MR. ALCANTAR: Thank you, Mr. Kenney.
2 Your Honor, I have no further
3 questions.

4 ALJ ALLEN: Thank you, Mr. Alcantar.
5 I believe the only cross we have
6 remaining Mr. Abrams; is that correct?

7 Mr. Abrams, go ahead.

8 MR. ABRAMS: Thank you, your Honor.

9 CROSS-EXAMINATION

10 BY MR. ABRAMS:

11 Q Thank you, Mr. Kenney.

12 After receiving the guidance to
13 shorten testimony, I will try to limit the
14 scope of my questions directly to the
15 relevant matter being AB 1054 compliance.

16 I just want to read - because I'll
17 be going through this - the passage of
18 AB 1054 related to the Commissions' work.

19 "The Commission has approved the
20 reorganization plan and other documents
21 resolving insolvency proceeding, including
22 the electrical corporation's resultant
23 government structure as being acceptable in
24 light of the electrical corporation's safety
25 history, criminal probation, recent financial
26 condition, and other factors deemed relevant
27 by the Commission.

28 Given that statement, do you see

1 that the Commission's purview in terms of
2 approval of the plan is broad or narrow?

3 A I think generally speaking, the
4 Commission's purview is broad, and I think
5 even under that language that you just read,
6 it's broad.

7 Q Thank you.

8 The first part of that statement is
9 the Commission needs to approve the
10 reorganization plan. So is it correct to say
11 that they are not by way of the legislation
12 here to approve the testimony?]

13 A Well, the testimony is used to
14 support our showing that would satisfy the AB
15 1054 requirement. I'm not trying to evade
16 your question, but I understand the
17 Commission's process is that in order to make
18 findings, they have to look to a record.

19 So the testimony that we submit is
20 intended to help the Commission reach the
21 conclusion that our plan, including all the
22 elements that you cited, satisfy the AB 1054
23 requirements.

24 Q But in terms of documents that they
25 need to look for to ensure this, you know, it
26 seems like the legislation points to the Plan
27 of Reorganization. So I guess what I'm
28 trying to say is that they're not supposed to

1 take, you know, Will Abram's word for it or
2 somebody who sits on that chair and says,
3 "Take my word for it." They're supposed to
4 look at the reorganization plan; is that a
5 correct statement?

6 A I think the Commission is supposed
7 to look at all the evidence that's put before
8 it in the course of this proceeding. And
9 that's the purpose of the proceeding in
10 allowing witnesses to be cross-examined so
11 that the Commission can assess the credibility
12 of that testimony and that ultimately the
13 judge can reach conclusions based upon that
14 testimony.

15 So I think the things that the
16 Commission are instructed to look at are not
17 solely delineated in AB 1054, but it's the
18 traditional process that the Commission
19 conducts. This hearing-like process so that
20 it can examine witnesses and take evidence
21 into consideration.

22 Q So in the testimony put forward
23 earlier in the proceeding yesterday, in fact,
24 by the wildfire safety counsel or panel, the
25 question was asked which of the provided
26 testimony is forward looking, is a change in
27 direction, it's related to the plan of
28 reorganization. And largely the answer was

1 "no." That it does not pertain to the plan
2 of reorganization.

3 In fact the panel largely stated
4 they had not been consulted regarding the
5 Plan of Reorganization and provided input
6 into it. Is that roughly a correct
7 statement?

8 A So I was here for that testimony.
9 I don't think that accurately reflects what
10 they said or intended.

11 Q So help me understand then. You
12 know, because part of what I'm concerned
13 about, right, if the focus of the legislation
14 needs to be on a Plan of Reorganization and
15 at the same time you issued a substantial
16 revision of the Plan of Reorganization over
17 here, you flooded the zone with tons of
18 testimony and called it the plan.

19 So what I'm --

20 A So.

21 Q -- sorry. Let me just finish my
22 question. I know it's long-winded. But the
23 Plan of Reorganization needs to be the focus.
24 And what I'm concerned about is PG&E has put
25 this big thousands of pages shiny object over
26 here, which is the testimony, while the focus
27 of the legislation needs to be the plan. Do
28 you see that as a problem?

1 A So the focus of the legislation is
2 on the Plan of Reorganization plus. It's not
3 solely on the Plan of Reorganization. The
4 Commission also has to make other
5 determinations about, as you recited, our
6 governance structure being acceptable in
7 light of our safety record, our status of
8 criminal probation, and our financial
9 condition.

10 We have a Plan of Reorganization,
11 which is the document that's filed in the
12 bankruptcy court to resolve the bankruptcy.
13 But the Commission's job is to look at the
14 Plan of Reorganization and also to examine
15 those other items that you just outlined.

16 And so in support of helping the
17 Commission to reach the conclusions that it
18 needs to reach, other testimony necessarily
19 is filed.

20 So we have the Plan of
21 Reorganization, and we have other evidence to
22 support our governance structure to support
23 that we will be a different and transformed
24 company upon emergence. That we will be
25 providing safe, reliable, affordable, clean
26 energy. So that's the point of the other
27 documents. It's not an intention to flood
28 the zone or to create a distracting shiny

1 object.

2 It's intended to help the
3 Commission reach the determination and
4 conclusions that it needs to reach to
5 complete its work under AB 1054.

6 Q How much of the testimony, the
7 substance of the testimony that's been
8 provided is in the Plan of Reorganization?
9 Would you say it's 10 percent? 50 percent?
10 80 percent of the substance?

11 A I'm not sure I could endeavor to
12 guess. I know Mr. Wells's testimony is most
13 directly related to what you would also find
14 in the Plan of Reorganization. So I'm not
15 sure I'd be able to assign a percentage.

16 Q The next part of that quote from AB
17 1054 says that:

18 Including the electrical
19 corporation's resulting
20 governance structure.

21 How has the -- you know, we were
22 here talking to the chair of the Board and
23 trying to understand what is the change to
24 the governance structure. Can you describe
25 for me what you see as the change to the
26 governance structure?

27 MR. MANHEIM: Objection. Outside the
28 scope.

1 And Mr. Abrams has had multiple
2 opportunities to address this.

3 ALJ ALLEN: It's foundational. Let's
4 let it go. So overruled.

5 To the extent you can answer
6 briefly, go ahead, please.

7 THE WITNESS: Sure. It is as outlined
8 in Ms. Brownell's testimony. We've had
9 substantial change to the board of directors
10 a year ago. The expectation is that we will
11 see additional changes to the board of
12 directors with an aspirational goal of having
13 50 percent of the Board come from California.
14 So we've had significant change already. And
15 we expect that there will be additional
16 change going forward. Particularly the skill
17 set that may have been appropriate for a
18 company that's in Chapter 11.

19 It may evolve and will likely evolve
20 upon emergence, so we will see additional
21 change in the governing structure in that
22 regard.

23 Q So would you say that we should
24 rely upon "likely evolve" to meet that goal
25 of AB 1054?

26 A I think -- well, you're not relying
27 solely upon what I just said. We have
28 evidence in the record. We've had Mr. Vesey

1 testify, and Mr. Johnson, Ms. Brownell.
2 We're going to be making significant changes
3 to the Board. We've made significant changes
4 to management.

5 Q So in terms of the Board's
6 structure, the questions were asked around
7 the code of ethics. And it may be there
8 would be some consolidation of that or look
9 from the Board in terms of that structure.
10 And, again, there was no firm commitment
11 there, but it was, "We're considering
12 possibilities."

13 ALJ ALLEN: So, Mr. Abrams, where are
14 you going with this now? Because this is
15 definitely outside of the scope of this
16 witness's testimony.

17 MR. ABRAMS: What I'm trying to do now
18 given -- given that this is the basis of the
19 regulations, I'm trying to ask their chief
20 regulator their interpretation of AB 1054
21 related to the Commission's determination.

22 ALJ ALLEN: I think on the issues that
23 you're now asking him, there was significant
24 other witness-sponsored testimony.

25 So I would sustain what I believe
26 was a pending objection from Mr. Manheim and
27 suggest you move to your next line of
28 questioning.

1 BY MR. ABRAMS:

2 Q Okay. Sow how do you interpret the
3 regulatory constraints to addressing the
4 criminal probation of PG&E? Is that being
5 out of probation? Do you have to be out of
6 probation in order to satisfy AB 1054?

7 A No. I don't think AB 1054 requires
8 us to be off of probation or have the
9 probationary status concluded. It's a factor
10 that the Commission needs to take into
11 account in performing its analysis of 1054.

12 I think the language says it's
13 supposed to improve the governance structure
14 in light of. And then it recites those
15 conditions and those additional factors. But
16 the statute doesn't require that we be off
17 probation.

18 Q Would you say that it's incumbent
19 upon PG&E, given that it does not have to
20 demonstrate that it's out of probation, that
21 it won't commit more crimes through this
22 bankruptcy process in light of its criminal
23 probation? Is that safe to say?

24 A Okay. I am sorry. Is it safe to
25 say that we should demonstrate that we don't
26 intend to commit any more crimes?

27 Q No. The legislation points -- it
28 says, "In light of," right? "The criminal

1 probation"?

2 So I'm trying to understand what
3 your interpretation is of the regulatory
4 impacts of that. So what you're saying is
5 they don't -- you don't have to be out of
6 probation.

7 So given that, is it a
8 demonstration that you won't end up back in
9 criminal probation? So how is -- how are we
10 supposed to interpret that?

11 A The way that we've -- the evidence
12 that we put on from our chief ethics and
13 compliance officer, Julie Kane, is intended
14 to demonstrate the mechanisms that we have in
15 place to be a compliant company.

16 So I think the Commission is able
17 to look at that evidence that was put on the
18 other day that demonstrates how we intend to
19 be a compliant company both with the spirit
20 and the letter of all laws and regulations to
21 which we are subject including criminal laws.

22 Q So Ms. Kane stated in her testimony
23 she never even looked at the Plan of
24 Reorganization. She never analyzed it with
25 ethical concern. She never looked at it.
26 She wasn't part of the process.

27 ALJ ALLEN: Mr. Abrams, focus on asking
28 a question, please.

1 BY MR. ABRAMS:

2 Q So given that Ms. Kane, who you
3 just relied upon, has -- demonstrating that
4 PG&E will not be in a position of committing
5 more crimes; that she had nothing to do with
6 the plan. How are we supposed to rely upon
7 that testimony as foundational to demonstrate
8 that you won't commit more crimes?

9 A I don't think that Ms. Kane needs
10 to have read the bankruptcy Plan of
11 Reorganization to be able to demonstrate, as
12 chief ethics and compliance officer, the
13 mechanisms that we have in place to be a
14 compliant company.

15 So our compliance with relevant
16 laws, regulations, our ethical program, and
17 our ethical behavior is a program that we
18 have in place separate and apart from the
19 Chapter 11.

20 So she doesn't have to have read
21 the Plan of Reorganization to be able to
22 commit that we are going to be an ethical and
23 compliant company.

24 ALJ ALLEN: So, Mr. Abrams, just to
25 make it clear, the interpretation of the
26 meaning of that particular portion of the law
27 is essentially primarily a legal issue.
28 Which for briefing -- the value of

1 cross-examination on that is going to be
2 fairly minimal. So if you could either
3 finish this up or move on to your next line,
4 please.

5 MR. ABRAMS: Sure. I'm asking these
6 questions because it's what the Commission --
7 according to what my read is what the
8 Commission needs to focus on.

9 ALJ ALLEN: Correct. It's essentially
10 a matter of statutory interpretation. So
11 it's going to be a proper grounds for legal
12 briefing. And you've certainly asked him
13 some basic questions that have given you some
14 answers to that. But I don't think you're
15 going to get much in value by pursuing what's
16 essentially a legal interpretation issue.

17 Go ahead.

18 BY MR. ABRAMS:

19 Q So given that we're supposed to
20 look at -- the Commission is supposed to look
21 at the electrical corporation's safety
22 history or determine if this is acceptable in
23 light of the electrical corporation's safety
24 history, what are they supposed to consider
25 in regard to that statement from a regulatory
26 perspective?

27 A Similar to the evidence that we put
28 on that was sponsored by Ms. Kane, one of the

1 purposes of the wildfire panel yesterday
2 would have been to demonstrate how we intend
3 to satisfy that part of AB 1054 and what we
4 are doing to mitigate wildfire risk to
5 ameliorate the impacts and consequences of
6 the Public Safety Power shutoffs.

7 So that would be the purpose of the
8 evidence that we put on yesterday relative to
9 our wildfire safety efforts.

10 Q So it was not designed to
11 demonstrate how the plan provides and
12 demonstrates more improved safety given the
13 corporation's safety history?

14 A It was designed, as I described, to
15 help the Commission in doing its work. So
16 that it could see the efforts that we're
17 putting in place to be a safe company.

18 Q So totally disconnected. Is it a
19 correct statement then it's totally
20 disconnected from the Plan of Reorganization?

21 A I don't know that I would describe
22 it as totally disconnected. I don't think
23 that's a correct statement.

24 Q So Ms. Powell stated that she is in
25 charge of the planning for wildfire
26 mitigation.

27 ALJ ALLEN: So, Mr. Abrams, again, so
28 essentially what we have is 1054 says the

1 Commission has to make particular findings
2 taking into consideration the safety history
3 of PG&E. So then PG&E has provided testimony
4 to show here's our safety history.

5 Then from that, various parties can
6 argue, "Well is this the right safety
7 history? How much weight should we give it?
8 Does this meet the requirements of 1054?"

9 So that's my understanding of what's
10 going on here. Other parties could have
11 provided other testimony on PG&E's safety
12 history.

13 Given the Commission's decisions on
14 this, I think there are a lot of Commission
15 decisions already that document PG&E's recent
16 safety history, which you can certainly cite
17 to and other parties can cite to in making an
18 argument as to whether or how the Commission
19 takes into consideration PG&E's safety
20 history.

21 So I do think it is somewhat
22 separate from the plan. Because it's -- I'm
23 sure PG&E put it in here because it's a
24 requirement of 1054. And as we found out
25 from the wildfire safety panel, their
26 material is not in the plan. But there is a
27 relationship, and that relationship is caused
28 by AB 1054.

1 So this is a valid subject to
2 address in briefing. But, again, there's
3 limited value in exploring this on
4 cross-examination.

5 MR. ABRAMS: I appreciate that, your
6 Honor. I am just concerned that the focus
7 has been on the testimony when AB 1054 states
8 plan and other documents resolving the
9 insolvency proceeding. So let me ask this
10 then.

11 Q When you see it says that the
12 Commission needs to approve the
13 reorganization plan and other documents
14 resolving the insolvency proceeding, are they
15 talking about this proceeding when you're
16 talking about the insolvency proceeding?

17 Or are they talking about the
18 proceeding at the federal building, the
19 bankruptcy proceeding?

20 A So I think that reference in the
21 statute is referring to the Chapter 11
22 proceeding.

23 Q Okay. So thank you. So given that
24 -- and, again, I'm not an attorney but I read
25 pretty well -- the Commission has approved
26 the reorganization plan and other documents
27 resolving the insolvency proceeding.

28 So all of the documents that PG&E

1 has submitted to this Commission are only
2 relevant, according to the legislation, if
3 they are documents that pertain to the
4 bankruptcy proceeding?

5 A No. I don't think that's correct.
6 I think the disconnect may be that the
7 documents that we have submitted are
8 pre-filed testimony. That becomes evidence
9 once it is subject to cross-examination.
10 That evidence is what the Commission will use
11 in this proceeding, this Order Instituting
12 Investigation, to make the determination that
13 it needs to make under AB 1054.

14 So all of the things that you
15 described to me earlier about the Commission
16 has to make certain findings with respect to
17 our governance structure being acceptable in
18 light of -- then you recited our criminal
19 probation, our safety record, and our
20 financial condition. We have to put on
21 evidence so that the Commission can make that
22 determination.

23 And the way that we -- sorry. The
24 way that we submit evidence in a CPUC
25 proceeding is through pre-filed testimony
26 that is then subject to cross-examination.
27 So the Commission's not approving any of
28 these particular documents. But it is using

1 that as evidence to reach its conclusions
2 regarding the findings that it has to make
3 under AB 1054.

4 Q Does it have to relate to the
5 documents in the bankruptcy proceeding?

6 A It has to be in support of the
7 findings that the Commission has to make
8 under AB 1054.

9 I hope I'm explaining this
10 correctly, your Honor.

11 ALJ ALLEN: I think that's relatively
12 close. The relationship here, given that
13 this Commission has no jurisdiction over the
14 bankruptcy proceeding, is what we're doing
15 here is looking at the requirements under
16 1054.

17 So to the extent there's a
18 connection between the requirements under
19 1054 and what's in the bankruptcy court,
20 that's the connection. We cannot
21 independently redo or relook at or analyze
22 the stuff in the bankruptcy court.

23 MR. ABRAMS: What I'm probing under,
24 your Honor, is the linkages. So those can
25 either be strong linkages between the
26 bankruptcy proceeding and the Plan of
27 Reorganization to what we're talking about
28 here. Or they can be very loose and, "Trust

1 us. Safety first type of --" right?

2 ALJ ALLEN: Some testimony is always
3 better than other testimony. And so some of
4 the stuff that we get will always be more
5 directly in support of what the Commission
6 needs to find. Because what will happen is
7 each party will present testimony that
8 supports their particular position or their
9 interpretation.

10 Ultimately, the Commission has to
11 sort through that testimony and apply the
12 relevant law and reach a decision.

13 So of the thousand-plus pages of
14 shiny objects, a lot of them will be
15 discarded. And there may be certain things
16 that the Commission finds to be particularly
17 relevant.

18 So essentially what you're looking
19 at is it is the process that the PUC
20 undergoes looking at the record of the
21 testimony and the legal briefs and the
22 cross-examination using -- as Mr. Kenney
23 accurately described -- taking the testimony
24 as the record and reaching legal conclusions
25 -- factual legal conclusions that it needs to
26 reach.

27 So it's definitely a sorting up
28 process. And some stuff will be much more

1 directly related to -- in this case, some
2 will be much more directly related to the
3 Plan of Reorganization than others.

4 There was cross-examination on how
5 the PSPS operates. That's not nearly as
6 closely related to the Plan of Reorganization
7 as for example Mr. Wells's testimony.

8 The rate neutrality provisions are
9 clearly in 1054. But that's not a
10 requirement of the Plan of Reorganization.
11 So there's going to be quite a mix. And
12 these are all -- essentially what you can do
13 is construct in the legal briefs the
14 arguments about what the Commission should
15 look at, what the Commission should value,
16 and what we should discard. And accordingly
17 what the Commission should do.

18 That's why it ends up being more of
19 a briefing thing. The cross-examination is
20 essentially trying to test the factual basis
21 for statements in the testimony.

22 So if there's a difference of
23 opinion of fact, cross-examination can be
24 useful for that. If there's a difference in
25 understanding how the law works,
26 cross-examination will not be very useful.

27 I think we should probably take a
28 morning recess. I've gone a little bit long

1 here.

2 How much more do you have,
3 Mr. Abrams?

4 MR. ABRAMS: Two more questions.

5 ALJ ALLEN: Let's go ahead and do
6 those.

7 BY MR. ABRAMS:

8 Q Did you hear Mr. Wells's testimony
9 when he was here in this hearing room?

10 A Yes, I did.

11 Q Through those discussions, are you
12 concerned that victims are being essentially
13 used as human backstops for PG&E's
14 financials?

15 A I don't know that I agree with the
16 characterization. I don't believe that the
17 company is using the victims as human
18 backstops. I shouldn't say I don't know that
19 I disagree with it. I categorically disagree
20 with that characterization.

21 Q Did you hear Mr. Wells testify that
22 his intent -- even though the final way that
23 the trust is going to be managed is yet to be
24 determined but we're going to need to talk
25 about it here -- is that those 21 percent
26 shares will not have the same rights as other
27 shareholders. That they will have to hold
28 those to protect PG&E at certain times of

1 difficulty?

2 MR. MANHEIM: Objection. Beyond the
3 scope.

4 ALJ ALLEN: Try just -- overruled.
5 Answer the question if you can.

6 THE WITNESS: Can you repeat the
7 question, Mr. Abrams? I am sorry.

8 BY MR. ABRAMS:

9 Q Sure. So this is following your
10 response that around victims being used as a
11 human backstop --

12 ALJ ALLEN: Mr. Abrams, let's not
13 repeat that. Just the question you had.

14 BY MR. ABRAMS:

15 Q Sure. The question that I have is
16 there's a trust for -- wildfire survivors
17 have a trust that has limitations to it;
18 right?

19 So Mr. Wells described how it would
20 be very detrimental to PG&E if those 21
21 percent of shares were sold when PG&E had
22 difficulty. Would leave you in a very
23 difficult position. So because of that, his
24 intent was to make sure that we didn't have
25 those freedoms.

26 MR. MANHEIM: Objection. Misstates his
27 testimony.

28 ALJ ALLEN: Okay. That's enough,

1 Mr. Abrams.

2 MR. ABRAMS: I'm trying to explain --

3 ALJ ALLEN: The problem wasn't the
4 explanation. The problem was you asked a
5 question, there was an objection, and I
6 overruled it. And so I think that caused it
7 to be unclear for the witness.

8 I just wanted a brief repeat of the
9 question rather than a long explanation of
10 the context. So if you can ask the question
11 very concisely, I will allow it.

12 BY MR. ABRAMS:

13 Q Okay. Does the victims not being
14 able to sale shares provide additional
15 security for PG&E?

16 A So I don't think I'm able to answer
17 the question because I'm not competent to
18 describe the mechanic of how the trust will
19 operate. So I don't know.

20 If -- I don't know if the premise
21 that you just described is in fact accurate.
22 Because I don't know the mechanics of how the
23 trust will function. That's -- and I
24 apologize. That's the best answer I can give
25 you.

26 Q Assuming that what Mr. Wells stated
27 is the outcome, that victims will not have
28 the ability to sale the shares when they

1 want, does that provide more financial
2 security for PG&E?

3 MR. MANHEIM: Objection. Misstates his
4 testimony. It's beyond the scope.

5 ALJ ALLEN: Overruled.

6 THE WITNESS: I don't know, Mr. Abrams.
7 I apologize. I just -- I'm not -- I don't
8 know.

9 ALJ ALLEN: I think that's what you're
10 going to get, Mr. Abrams.

11 MR. ABRAMS: Seems that way. Thank
12 you.

13 ALJ ALLEN: Does this complete your
14 cross?

15 MR. ABRAMS: Sure. Yes. Thank you.

16 ALJ ALLEN: Okay.

17 Off the record for a minute.

18 (Off the record.)]

19 ALJ ALLEN: On the record.

20 EXAMINATION

21 BY ALJ ALLEN:

22 Q Mr. Kenney, I have a question based
23 on your testimony on page 10-2.

24 A I'm there, your Honor.

25 Q At the bottom of 10-2, lines 24
26 through 28 refer to 20 system enhancement
27 initiatives as part of a settlement of a
28 Commission investigation; is that correct?

1 A Yes.

2 Q All of those shareholder
3 enhancement initiatives are at shareholder
4 expense, no rate impact?

5 A Yes, that's what's intended,
6 correct.

7 Q Is that true over the longer term?
8 Do any of those shareholder enhancement
9 issues become ratepayer funded at some point
10 in the future?

11 A My understanding of the settlement
12 that was presented to the Commission for its
13 approval is that those particular
14 shareholder-funded initiatives would remain
15 as such.

16 Q So that at some point in the
17 future, as long as those system enhancement
18 initiatives continue, those specific
19 activities would be shareholder funded?

20 A I think that's generally correct,
21 your Honor. Without having the benefit of
22 the actual settlement agreement in front of
23 me, I think that's generally correct.

24 Q And is that an important thing to
25 ensure is happening to ensure rate
26 neutrality?

27 A So the outcome of this settlement
28 isn't related to the neutral-on-average

1 analysis under 3292. So, while the incident
2 of the settlement was to have these items be
3 shareholder funded, they do not trigger the
4 3292 rate neutrality analysis because these
5 are not part of the plan itself.

6 Q Just so I'm clear, let's say one of
7 the system enhancement initiatives is that
8 PG&E would have three people with fire
9 extinguishers stationed in front of Beale
10 Street and there's enough money in the
11 settlement that pays for those three people
12 to stand there for 10 years.

13 After 10 years, PG&E decides that
14 these would be appropriately rate recovery
15 because you still want the people standing in
16 front of Beale Street with the fire
17 extinguishers, but it becomes ratepayer
18 funded. Under what your answer is, do I
19 understand that that would have no impact on
20 the rate neutrality?

21 A Under that hypothetical, that's
22 right, the 3292 wouldn't be implicated.
23 Presumably these three people -- we've spent
24 the \$50 million and now we've decided that we
25 want to keep them in place, that's separate
26 and apart from the 3292 analysis.

27 Q Okay. Thank you.

28 Commissioner.

EXAMINATION

BY COMMISSIONER RECHTSCHAFFEN:

Q Good morning, Mr. Kenney.

A Good morning.

Q We've heard quite a bit of testimony about securitization and it's not included in your ratepayer neutrality analysis. I'm wondering if you could just elaborate on why that's the case.

A So for a couple of reasons, Commissioner, the securitization application will be filed separately so it's not a part of this OII and it's not a part of the plan so that's the primary reason why 3292 is not triggered.

Secondarily and separate and apart from 3292, the intention of that securitization is that it will be rate neutral by virtue of the fact that it will be paid for by -- it won't be paid for by ratepayers. It ultimately ends up being rate neutral, but not in the 3292 sense of neutrality on average.

Q Is there a difference between the rate neutral that the post-bankruptcy securitization would be subject to than neutral on average to ratepayers?

A When we use the term "rate neutral

1 securitization," that is -- it's not a
2 defined term as neutral on average is under
3 3292. So the use of -- and that's part of
4 the reason why I was hesitating with
5 Mr. Finkelstein in his questions.

6 Neutral on average as contemplated
7 by 3292, as we have interpreted it, is
8 those -- whether there would be any rate
9 increase is attributable to the plan by
10 virtue of the fact that the rate neutral
11 securitization is being filed outside of it
12 separate and apart from the plan. It is rate
13 neutral but not in the 3292 sense.

14 Q And neutral on average for a
15 typical residential customer, for example,
16 for their bills, does that mean in 2022 the
17 bills will not be any higher than they would
18 have otherwise been because of the
19 bankruptcy?

20 A Because of this Commission's
21 approval of the plan. So there are no rate
22 increases upon the conclusion of this
23 proceeding and the Commission will, we
24 expect, approve a document and issue an order
25 coming out of this proceeding. There are no
26 rate increases that will be a component of
27 that that satisfies the 3292 requirement.

28 Q I guess what I'm asking is is that

1 true in 2021, 2025 for a typical residential
2 customer and what is the time period under
3 which we're analyzing neutral on average for?

4 A I don't know that there's any
5 temporal implication because we're not
6 requesting any rate increases attributable to
7 the plan so there will be no rate increases
8 attributable to the plan. There may be rate
9 increases at some point in the future that
10 are attributable to our general rate case or
11 expenditures coming out of Wildfire
12 Mitigation Plan or some other Commission
13 proceeding.

14 But as it pertains to this OII and
15 the determinations that the Commission will
16 make when it issues its order, there are no
17 rate increases that are attributable there.

18 Q I understand that but we have to
19 analyze whether or not there will be an
20 impact to ratepayers in order to determine,
21 make the neutral-on-average determinations.
22 What I'm asking is how long do we have to
23 make that analysis for? How long in your
24 view did the provisions extend for?

25 A If this plan itself doesn't raise
26 rates at all, then I would assume there's no
27 temporal limitation on that because we have
28 no expectation that the plan itself is going

1 to raise rates, and there's nothing that
2 we've described in the plan that causes
3 customers to pay more in rates than they
4 otherwise would have.

5 I don't know that there's a time
6 limitation in that regard because there's no
7 increase at all.

8 Q Okay. Thank you.

9 ALJ ALLEN: Thank you.

10 Any redirect, Mr. Manheim?

11 MR. MANHEIM: Yes, your Honor.

12 ALJ ALLEN: Go ahead.

13 MR. MANHEIM: Your Honor, can we go off
14 the record for a moment?

15 ALJ ALLEN: Off the record.

16 (Off the record.)

17 ALJ ALLEN: On the record.

18 MR. MANHEIM: Thank you, your Honor.

19 One clarification to Mr. Kenney's testimony.

20 Mr. Kenney, you asked him if under the
21 wildfire OII settlement that was proposed
22 that certain shareholder funded system
23 enhancements, if those were to be continued
24 beyond the funding provided in the
25 settlement, would that be done at shareholder
26 expense or ratepayer expense.

27 I'd like to clarify that what the
28 settlement says is PG&E would fund those

1 system enhancements up to \$50 million and, if
2 the initiatives continue, cost recovery
3 thereafter would be subject to CPUC review
4 and approval.

5 ALJ ALLEN: And my understanding is
6 that's inconsistent with Mr. Kenney's
7 testimony?

8 MR. MANHEIM: Yes.

9 ALJ ALLEN: I guess my follow-up
10 question to either Mr. Manheim or Mr. Kenney
11 is does this affect the answer to the
12 hypothetical of the three people holding fire
13 extinguishers?

14 MR. MANHEIM: It does not affect
15 Mr. Kenney's response to that question in
16 terms of the applicability of AB-1054.

17 ALJ ALLEN: Okay. Thank you. With
18 that, do you have any redirect?

19 MR. MANHEIM: One moment. Can we go
20 off the record?

21 ALJ ALLEN: Yes. Off the record.

22 (Off the record.)

23 ALJ ALLEN: On the record.

24 Mr. Manheim.

25 MR. MANHEIM: Thank you, your Honor.

26 REDIRECT EXAMINATION

27 BY MR. MANHEIM:

28 Q Mr. Kenney, Mr. Finkelstein asked

1 you if the PG&E Plan of Organization has any
2 impact on rates. I'd like to ask you doesn't
3 PG&E's plan seek Commission approval for debt
4 financing?

5 A Yes, it does.

6 Q And if approved by the Commission
7 in this proceeding, would that have an impact
8 on rates?

9 A Yes.

10 Q What is that impact?

11 A So, by virtue of us refinancing
12 certain debt, it will actually result in a
13 decrease.

14 Q Thank you. That's all.

15 ALJ ALLEN: Thank you.

16 Any recross?

17 MR. FINKELSTEIN: No, thank you, your
18 Honor.

19 ALJ ALLEN: Thank you.

20 Thank you, Mr. Kenney. You may step
21 down.

22 THE WITNESS: Thank you.

23 ALJ ALLEN: PG&E can please call its
24 next witness.

25 MR. WEISSMANN: Is he excused?

26 ALJ ALLEN: Tell you what, why don't
27 you call the witness and then we'll go off
28 the record and you can do housekeeping.

1 MR. WEISSMANN: Just to clarify, your
2 Honor, is this witness excused?

3 ALJ ALLEN: Yes.

4 Can PG&E call its next witness for
5 the record. Off the record.

6 (Off the record.)

7 ALJ ALLEN: On the record.

8 PG&E, please call your next witness.

9 MR. WEISSMANN: As its next witness,
10 PG&E calls Mr. Amit Gupta.

11 ALJ ALLEN: Thank you.

12 MR. WEISSMANN: And with your
13 permission, your Honor, my colleague,
14 Mr. Saarman Gonzalez will present the
15 witness.

16 ALJ ALLEN: Thank you.

17 Mr. Gupta.

18 AMIT GUPTA, called as a witness by
19 Pacific Gas & Electric Company, having
been sworn, testified as follows:

20 THE WITNESS: Yes, I do.

21 ALJ ALLEN: Thank you. Please be
22 seated, state your full name and spell your
23 last name for the record.

24 THE WITNESS: Sure. My full name is
25 Amit Gupta, it's G-u-p-t-a.

26 ALJ ALLEN: Thank you.

27 Go ahead, Mr. Saarman Gonzalez.

28 DIRECT EXAMINATION

1 BY MR. SAARMAN GONZALEZ:

2 Q Please state your employer and your
3 title.

4 A Pacific Gas and Electric. I'm
5 project manager.

6 Q Do you have in front of you PG&E
7 Prepared Testimony Volume 1 which has been
8 marked as PG&E 1?

9 A Yes, I do.

10 Q Are you sponsoring Chapter 5 of
11 that testimony, specifically Section
12 (D) (1) (z) (1), which appears on page 5-21,
13 line 1, through page 5-22, line 17?

14 A Yes, I do.

15 Q Was that testimony prepared by you
16 or under your direction?

17 A Yes.

18 Q Have there been any updates or
19 corrections to your testimony?

20 A No.

21 Q Is your testimony true and correct
22 to the best of your knowledge?

23 A Yes, it is.

24 MR. SAARMAN GONZALEZ: Thank you, your
25 Honor. Mr. Gupta is available for
26 cross-examination.

27 ALJ ALLEN: Thank you.

28 Mr. Long.

1 MR. LONG: Can we go off the record,
2 your Honor?

3 ALJ ALLEN: Yes. Off the record.

4 (Off the record.)

5 ALJ ALLEN: On the record.

6 Mr. Long.

7 MR. LONG: Thank you, your Honor.

8 CROSS-EXAMINATION

9 BY MR. LONG:

10 Q Mr. Gupta, could you please turn to
11 page 5-22 of your testimony. And that's a
12 continuation of your testimony that began on
13 page 5-21; is that correct?

14 A Yes.

15 Q You're providing some detail
16 regarding PG&E's effort to obtain PAS, which
17 is an acronym, P-A-S, PAS 55 and ISO 55,000
18 Certification for PG&E's electric operations;
19 is that right?

20 A Correct.

21 Q The purpose of my cross is pretty
22 much to update the record. Since I provided
23 testimony on May 21st -- I'm sorry,
24 February 21st. Yeah.

25 ALJ ALLEN: I hope it's not May 21st.

26 MR. LONG: I lost track of time.

27 Q We've gotten an updated data
28 request response so I just want to go over

1 that. First I'd like you to look at what's
2 been marked as TURN-X-08.

3 Do you have that in front of you?

4 A I do.

5 Q This is PG&E's original data
6 request response where we were asking in
7 reference to your testimony on page 5-22,
8 lines 13 through 17, you talk about PG&E
9 being in process of seeking the
10 certifications and has succeeded in reducing
11 the gaps as Lloyd's Register continues to
12 conduct their assessment. Do you see that?

13 A Yes, I do.

14 Q So this was our question about
15 asking you to provide detail regarding those
16 gaps and asking you to provide documents
17 related to those gaps. Your answer was an
18 objection and then further objection, and the
19 upshot was not responding to the questions;
20 is that fair?

21 A So to my understanding, we were --
22 I was working with our law department to
23 understand if the reports contain any
24 confidential information, so we were
25 undergoing that review. Once that review was
26 completed, you know, we did find some
27 confidential information and then we redacted
28 that information. And then once we completed

1 that process, the reports were made
2 available.

3 Q Okay. So that's what happened last
4 Friday night on February 28th. PG&E provided
5 a revised response that provided documents,
6 seven attached documents, in response to that
7 data request; is that right?

8 A Yes.

9 Q I just want to briefly -- I'm not
10 going to, unless PG&E wants, and I have no
11 trouble if PG&E wants to put those documents
12 in the record, but I just wanted to briefly
13 sort of get a summary of the gist of those
14 documents and so here's my sense of it.

15 First, those documents are the
16 assessment reports done by Lloyd's Register;
17 is that fair?

18 A Correct.

19 Q And they're done over a period of
20 time?

21 A Yes.

22 Q Ranging from?

23 A 2018.

24 Q Middle of 2018 through fall of
25 2019; is that right?

26 A Correct.

27 Q And the assessment by Lloyd's
28 Register is whether PG&E has gaps as you say

1 in your testimony; correct?

2 A Uh-huh, yes.

3 Q And they do identify -- over time
4 they do identify many gaps, some that they
5 characterize as major and others that they
6 identify as minor; is that fair?

7 A Correct.

8 Q And the point of that is to alert
9 PG&E to issues that may come up once Lloyd's
10 Register does the assessment; is that fair?

11 A Once we seek final certification,
12 yes.

13 Q So PG&E has not sought that
14 certification because you're doing the
15 preparatory work to try to attain that
16 certification --

17 A Correct.

18 Q -- is that fair?

19 A Correct.

20 ALJ ALLEN: Let's make sure that he
21 finishes the question before you answer.

22 THE WITNESS: Sure, okay.

23 BY MR. LONG:

24 Q Am I correct that PG&E was
25 originally hoping to gain that certification
26 by the end of 2019?

27 A Internally, yes.

28 Q And the documents, as I read them,

1 show that PG&E has not made the progress it
2 hoped in addressing the gaps identified by
3 Lloyd's Register; is that fair?

4 A Yes.

5 Q Okay. And as a result, there is no
6 longer a timetable for when PG&E will put
7 itself up for assessment under these
8 certifications; is that fair?

9 A So internally we have -- we are
10 aiming towards seeking certification by Q4 of
11 this year.

12 Q By Q4?

13 A Yes.

14 Q That is not in the documents; is
15 that right?

16 A Correct.

17 Q This is something new you're
18 telling me now?

19 A Yes.

20 Q And is that reflected in the
21 document?

22 A I have to go back and read them. I
23 think they have made recommendation that if
24 we continue to demonstrate progress,
25 certification can be achieved by Q4 of this
26 year.

27 Q Do you have those documents in
28 front of you?

1 A I have to check which one has it.

2 Q How long will that take? Will it
3 take just a moment?

4 A It probably might take pretty long.
5 I have to go through the documents.

6 MR. SAARMAN GONZALEZ: Objection, these
7 are voluminous documents that have not been
8 marked as exhibits for cross-examination.

9 ALJ ALLEN: Overruled. Hold on.

10 Let's go off the record.

11 (Off the record.)

12 ALJ ALLEN: On the record. Objection
13 is overruled.

14 I believe, Mr. Long?

15 MR. LONG: Yes, your Honor. In
16 response to my last question, I had a
17 different understanding of what the document
18 said and we agreed that we would go off-line,
19 that I don't have any further questions and
20 that I would confer with counsel for PG&E and
21 maybe we can report back on the resolution of
22 our discussions regarding the answer to that
23 question.

24 ALJ ALLEN: That's fine. We can adjust
25 that after the lunch break. I'm thinking
26 maybe we want to get started with
27 Mr. Wyspianski.

28 I assume there's no redirect; is

1 that correct?

2 MR. SAARMAN GONZALEZ: No.

3 ALJ ALLEN: Thank you.

4 Thank you, Mr. Gupta. You may step
5 down. You're not excused at this, time, but
6 you may step down.

7 THE WITNESS: Thank you.

8 ALJ ALLEN: Off the record.

9 (Off the record.)

10 ALJ ALLEN: On the record.

11 PG&E, please call your next witness.

12 MR. WEISSMANN: As its next witness,
13 PG&E calls Martin Wyspianski.

14 ALJ ALLEN: Thank you.

15 Off the record.

16 (Off the record.)

17 ALJ ALLEN: On the record.

18 Mr. Wyspianski, please stand.

19 MARTIN WYSPIANSKI, called as a
20 witness by Pacific Gas & Electric
21 Company, having been sworn, testified
22 as follows:

22 THE WITNESS: I do.

23 ALJ ALLEN: Please be seated, state
24 your name, and spell your last name for the
25 record.

26 THE WITNESS: Martin Wyspianski,
27 W-y-s-p-i-a-n-s-k-i.

28 ALJ ALLEN: Thank you.

1 Ms. Dippo.

2 DIRECT EXAMINATION

3 BY MS. REED DIPPO:

4 Q Please state your employer and your
5 title?

6 A I'm employed by Pacific Gas and
7 Electric Company. I'm the Senior Director of
8 Energy Portfolio Procurement and Policy.

9 Q Do you have in front of you PG&E
10 Prepared Testimony Volume 1, which has been
11 marked as PG&E 1?

12 A Yes.

13 Q Are you sponsoring Chapter 9 of
14 that testimony, page 16, line 13 through
15 page 20, line 28?

16 A Yes.

17 Q Was that chapter prepared by you or
18 under your direction?

19 A Yes.

20 Q Have there been any updates or
21 corrections to that chapter?

22 A No.

23 Q Is your testimony true and correct
24 to the best of your knowledge?

25 A Yes.

26 MS. REED DIPPO: Mr. Wyspianski is
27 available for cross-examination.

28 ALJ ALLEN: Thank you.

1 Mr. Abrams.

2 MR. ABRAMS: Thank you, your Honor.

3 CROSS-EXAMINATION

4 BY MR. ABRAMS:

5 Q Thank you for taking the time today
6 to talk with me. I am a victim of the PG&E
7 wildfires and I'll be asking questions from
8 that perspective.

9 For the past three summers my
10 children have had to wear face masks on the
11 way to school because of PG&E wildfires. How
12 is PG&E addressing the air quality issues
13 caused by their wildfires?

14 A Well, so I think, again, my
15 testimony is somewhat narrow around AB-1054
16 and our compliance with California's climate
17 goals which was defined for my purposes as
18 the RPS standards and associated procurement.
19 So I think with that respect, we are
20 continuing to meet or exceed the requirements
21 to have low emitting GHG-free or RPS
22 compliant resources.]

23 Q I appreciate that.

24 My question is specific to this
25 because I do believe that - correct me if I'm
26 wrong - what contributes to CO2 is the ash
27 and smoke and wildfires contributing to that;
28 so my questions are going to be around that,

1 given that part of the purview of the
2 Commission is to ensure that PG&E is
3 operating towards the goals of California.

4 A Uh-huh.

5 Q So can you address that? What is
6 PG&E doing specifically for the smoke that's
7 being caused by their wildfires?

8 What are you doing to address that?
9 Are you providing face masks? Are you
10 educating the public regarding the health
11 risks? What is PG&E doing to address those
12 issues?

13 A I'm not sure I'm the right person
14 to speak to that because what I work on is
15 really managing the portfolio of resources
16 that we have to serve our customers with
17 energy needs. I'm not engaged in working out
18 in the field providing customer support,
19 those types of functions. I'm really not
20 sure how to answer your question.

21 Q Next question: FEMA and Cal OES
22 have been largely responsible for cleaning up
23 after the PG&E wildfires for the past three
24 years, at least.

25 How is PG&E working with these
26 agencies to address the toxic remains from
27 the fires?

28 A I don't know the answer to your

1 question. Again, the piece that I've been
2 working on is procuring energy to meet our
3 customer needs compliant with AB 1054. I
4 don't know what we're doing out in the field.

5 Q Are there other individuals that
6 you, perhaps, partner with within PG&E who
7 are responsible for those areas that I've
8 just described?

9 A So, again, I'm not sure. And I
10 don't partner with people to do work because
11 my work is narrowly focused on meeting our
12 RPS goals and associated procurement
13 requirements. That's the work that I do and
14 that's kind of consistent with what I've
15 talked about in my testimony.

16 Q Can you then help me out? What is
17 your purview; if you can give me your job
18 description a little bit.

19 A Sure. So I think my job
20 description was in here. So I think if we go
21 to -- let me flip through. So my job
22 description was on page 9-2, starting on line
23 16. As you can see -- so I'll just repeat my
24 testimony: I'm responsible for developing
25 policy positions and managing commercial
26 transactions related to our energy portfolio.
27 I also manage requests for offers and
28 negotiate power purchase agreements related

1 to renewable energy, energy storage,
2 distributed energy resources, and wholesale
3 market activities.

4 So, again, my work is really
5 narrowly focused on managing the portfolio of
6 energy resources we have to meet the needs of
7 our customers from a generation perspective.

8 Q I'll move on to my next question.

9 My understanding from -- and I'm
10 not a climate scientist -- is that the PG&E
11 wildfires released 68 million tons of carbon
12 dioxide in 2018 and according to the US
13 Geological Survey, that represents 15 percent
14 of the state's total emissions, and that by
15 comparison, electricity used for California
16 in 2016 produced roughly 76 million tons of
17 emissions.

18 So given the negative effects of
19 the PG&E wildfires, how should the Commission
20 consider that when it looks at PG&E's work to
21 reduce greenhouse gases?

22 A Well, I can speak to, again, what
23 we're doing to reduce greenhouse gas
24 emissions with respect to our energy
25 portfolio.

26 I would just note that, first, I
27 think the Commission is always looking to
28 understand are we complying with the rules

1 and regulations of the state and we've
2 committed to do that.

3 Secondly, they can look at how
4 clean our portfolio is above and beyond
5 anything related to that because, as I've
6 said in my testimony, we want the cleanest
7 portfolio to generate resources.

8 So I can't speak to the emissions
9 associated with the wildfires. What I can
10 say is we've met or exceeded the requirements
11 of the state with respect to our clean
12 portfolio every year that I've worked on it.

13 Q I have two more quick questions. I
14 know we're to move quickly.

15 According to the Beacon Economics
16 Report, California successfully cut carbon
17 pollution leaving its 2020 target four years
18 early. These achievements were eclipsed
19 several times over by the 2018 wildfires,
20 which produced more than nine times more
21 emissions than were reduced in the 2017 --

22 ALJ ALLEN: Mr. Abrams, let's get to a
23 question, please.

24 MR. ABRAMS: Sure.

25 Q The question is this: Are you
26 expecting that the Commission should ignore
27 one side of the equation, which is PG&E
28 contributing to in a detrimental way CO2

1 emissions or only look at one side of the
2 ledger in what you're doing to reduce CO2
3 emissions?

4 Should they look at both sides of
5 the ledger to make their determination or
6 only one side?

7 A You know, I can't tell the
8 Commission how to look at the issue,
9 obviously, but I think the way that the
10 Commission has looked and the way that the
11 rules are written are in a way that looks at
12 our compliance with certain statutory
13 requirements or regulatory requirements.
14 That's at least how I would say how I manage
15 the portfolio. I can't speak to how the
16 Commission should do it going forward.

17 MR. ABRAMS: No more questions.

18 ALJ ALLEN: Thank you, Mr. Abrams.

19 Any other cross for Mr. Wyspianski?

20 (No response.)

21 ALJ ALLEN: Any redirect?

22 MS. REED DIPPO: No, your Honor.

23 ALJ ALLEN: Thank you.

24 Mr. Wyspianski, you are excused.

25 THE WITNESS: Thank you, your Honor.

26 ALJ ALLEN: Off the record.

27 (Off the record.)

28 ALJ ALLEN: On the record.

1 We'll be in recess until 1:00 p.m.
2 by the clock on the wall.]

3 (Whereupon, at the hour of 11:42
4 a.m., a recess was taken until 1:00
5 p.m.)

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1 AFTERNOON SESSION - 1:06 P.M.

2 * * * * *

3 ALJ ALLEN: On the record. This is
4 Investigation 19-09-016. We are starting
5 with the cross-examination of Mr. Lowe, I
6 believe; is that correct?

7 MR. WEISSMANN: I think there's first a
8 statement of counsel to be made relative to
9 the testimony of Mr. Gupta.

10 ALJ ALLEN: Yes, that's correct.

11 Mr. Long.

12 MR. LONG: Could I just introduce this
13 and then turn it over to counsel for PG&E?

14 ALJ ALLEN: Yes.

15 MR. LONG: So in response to one of my
16 questions at the end of my cross, counsel for
17 PG&E and I have conferred, and we've agreed
18 that there's a responsive couple of sentences
19 from a document that was produced in
20 discovery that will be read into the record
21 by PG&E's counsel, and then I think they had
22 a further statement of counsel to elaborate
23 on the information provided in that document.

24 ALJ ALLEN: Thank you, Counsel.

25 MR. Gonzalez: Correct.

26 So I'm reading from an August 2019
27 report by Lloyd's Register.

28 ALJ ALLEN: Let's make sure you read

1 clearly and slowly.

2 MR. GONZALEZ: "The Lloyd's Register
3 Assessors are still of the opinion that it is
4 important that momentum is not lost and it
5 would be reasonable, subject to the
6 availability of appropriate resources, for
7 PG&E EO to either close the existing gaps or
8 provide sufficient evidence of progress
9 toward closure such that the gaps would not
10 constitute a barrier for certification at
11 formal assessment with a reasonable
12 time-scale and that dependent upon other
13 factors which are affecting the business
14 currently, certification for both
15 Transmission and Distribution by the
16 second/third quarter of 2020 is achievable.
17 At present, no dates are in place for a
18 further assessment and PG&E EO will make a
19 decision on this based on various business
20 factors."

21 A further statement of counsel is
22 that since the time of that report, which was
23 August 2019, PG&E has scheduled an upcoming
24 visit by Lloyd's Register and is currently
25 finalizing details for the week of May 18th,
26 2020.

27 Thank you, your Honor.

28 ALJ ALLEN: Thank you, Counsel.

1 Mr. Long, was that satisfactory?

2 MR. LONG: Yes, that is. Thank you.

3 ALJ ALLEN: Anything else before we
4 call Mr. Lowe? Call your next witness,
5 please.

6 MR. WEISSMANN: Thank you, your Honor.
7 PG&E calls John Lowe.

8 ALJ ALLEN: Off the record.

9 (Off the record.)

10 ALJ ALLEN: On the record.

11 JOHN A. LOWE, called as a witness by
12 Pacific Gas & Electric Company, having
been sworn, testified as follows:

13 ALJ ALLEN: Please be seated. State
14 your full name and spell your last name for
15 the record.

16 THE WITNESS: John A. Lowe, L-o-w-e.

17 DIRECT EXAMINATION

18 BY MR. RUTTEN:

19 Q Good afternoon, Mr. Lowe.

20 What is your role at PG&E?

21 A I'm Senior Director of Total
22 Rewards.

23 Q Do you have before you what's been
24 marked for identification as PG&E-01, which
25 is the volume of prepared testimony?

26 A Yes.

27 Q And within that volume, are you
28 sponsoring Chapter 7?

1 A Yes.

2 Q Do you also have before you what's
3 been marked for identification as PG&E-06,
4 which is a volume of exhibits to the
5 testimony?

6 A Yes.

7 Q And within PG&E-06, are you
8 sponsoring Exhibits 1 and 2 to your
9 testimony?

10 A Yes.

11 Q And, finally, do you have before
12 you what's been marked for identification as
13 PG&E-07, which contains supplemental
14 testimony, including errata?

15 A Yes.

16 Q And is that volume included in the
17 errata to your testimony in Chapter 7?

18 A Yes.

19 Q And so I've identified the portions
20 of the testimony and exhibits you're
21 sponsoring. Was that material prepared by
22 you or at your direction?

23 A Yes.

24 Q Do you adopt it as your testimony?

25 A Yes.

26 Q Is it true and correct to the best
27 of your knowledge and belief?

28 A Yes, it is.

1 MR. RUTTEN: Your Honor, the witness is
2 available for cross-examination.

3 ALJ ALLEN: Thank you.

4 Mr. Strauss.

5 MR. STRAUSS: Thank you, your Honor.

6 CROSS-EXAMINATION

7 BY MR. STRAUSS:

8 Q My name is Ariel Strauss. I'm
9 counsel with Small Business Utility
10 Advocates. Thank you, Mr. Lowe.

11 A Good afternoon.

12 Q Good afternoon.

13 My question pertains to your
14 testimony on page 7-15 regarding the
15 individual modifier. Is the individual
16 modifier tied in any respect to safety?

17 A The individual modifier is tied to
18 the goals of the individuals who are
19 participating. So as their goals are tied to
20 safety, then it is tied to safety.

21 Q And the individual modifier can be
22 adjusted - it says here - as low as 75
23 percent or increased to 125 percent. Is that
24 of the incentive that is provided by the
25 STIP?

26 A Oh, the STIP.

27 Q Correct. The STIP.

28 A Yes. The STIP final score, company

1 score, is calculated for the individual, and
2 then that score can be modified up or down
3 based on the individual's performance.

4 Q Thank you.

5 Then with respect to the STIP, is
6 that modified based on a line of business the
7 individual was in or his or her own
8 responsibilities?

9 A So for the individuals who are at
10 direct or below, they have different
11 weightings. So it will be individualized
12 based on the weight of that business unit, if
13 they're in the electric operations, the gas
14 operations or generation; otherwise, it is
15 not modified unless their goals, their
16 individual goals, are tied directly to the
17 business units' goals.

18 MR. STRAUSS: Thank you. That
19 completes my questions.

20 ALJ ALLEN: Thank you, Mr. Strauss.

21 MR. STRAUSS: Thank you.

22 ALJ ALLEN: Mr. Long.

23 MR. LONG: Mr. Abrams had a question.
24 Can he go next?

25 ALJ ALLEN: Yes. Mr. Abrams had
26 reserved a fair amount of cross, but is he
27 prepared? Oh, go ahead, Mr. Abrams.

28 ///

1 CROSS-EXAMINATION

2 BY MR. ABRAMS:

3 Q Yes. Just in the interest of time,
4 I've taken time on other cross-examination.
5 So I just wanted to ask, in the event of
6 wildfire this summer, let's say it's a
7 catastrophic wildfire the size of the
8 wildfires in 2017. What is the extent of the
9 compensation effects on executives?

10 A So in the event of catastrophic
11 wildfire, the board of directors will look at
12 the total circumstances surrounding any
13 wildfire from a catastrophic event and can
14 reduce the score or the payouts down to zero.

15 Q So if it was caused by PG&E's
16 neglect -- so similar circumstances. Let's
17 say the Tubbs Fire happened again and the
18 wildfires of 2017 happened again. In those
19 circumstances -- same circumstances, but this
20 summer, what would be the percentage
21 reduction in compensation?

22 A The board of directors would look
23 at the circumstances and make a decision if
24 they're going to reduce it or not. That's
25 their discretion, and the circumstances under
26 the Tubbs Fire of 2017, in fact, the CEO and
27 the CFO's payments were reduced to zero.

28 MR. ABRAMS: No more questions.

1 Thanks.

2 CROSS-EXAMINATION

3 BY COMMISSIONER RECHTSCHAFFEN:

4 Q What if someone has already left
5 the company at that point, would their
6 incentive be clawed back or not?

7 A So if the score is reduced to zero,
8 then they would never have received
9 incentives to start with. So if the fire
10 started in mid-year, the decision is made at
11 the end of the performance year, the score is
12 zero. They would not have received the
13 incentives.

14 If they have received the
15 incentives, and they're one of our
16 executives, we do have a recoupment policy
17 that would allow the board to decide to claw
18 back the money.

19 Q Including the entire amount as you
20 just referenced before?

21 A Yes.

22 COMMISSIONER RECHTSCHAFFEN: Thank you.

23 ALJ ALLEN: Thank you, Mr. Abrams.

24 Mr. Long.

25 MR. LONG: Yes. Could I have marked as
26 the next exhibit in order TURN's document
27 that TURN has distributed called "Attachment
28 to PG&E's Response to TURN Data Request 9-2."

1 ALJ ALLEN: Yes. That would be marked
2 as TURN-X-09.

3 (Exhibit No. TURN-X-09 was marked
4 for identification.)

5 CROSS-EXAMINATION

6 BY MR. ABRAMS:

7 Q Good afternoon, Mr. Lowe. Do you
8 have that document in front of you?

9 A I do.

10 Q And I'm just going to ask you is
11 this the document that the -- in fact, the
12 Willis, Towers, Watson Executive Compensation
13 Study that we requested that you provide us
14 in question 9-2?

15 A It appears to be.

16 MR. ABRAMS: That's really all my
17 questions. Thank you.

18 ALJ ALLEN: Thank you.

19 I may have a question or two.

20 CROSS-EXAMINATION

21 BY ALJ ALLEN:

22 Q On page 7-5 to 7-6 of PG&E-01, you
23 list a number of what Willis, Towers, Watson
24 indicates is a guidepost for designing
25 executive compensation programs; is that
26 correct?

27 A Yes.

28 Q Is one of the takeaways from this

1 that executive incentive compensation plans
2 need to be very carefully designed?

3 A Yes.

4 Q And that there are a lot of
5 different factors to consider in that design?

6 A Yes.

7 Q Turning to page 7-10, on the
8 metrics that are here for the short-term
9 incentive plan, does having a number of these
10 metrics for some of these, does it create an
11 incentive to underreport some incidents such
12 as electric asset failures?

13 A The individuals who would be
14 reporting this would not be participating in
15 the STIP; so I don't think it would create
16 that incentive.

17 Q So who's getting the STIP and who
18 is reporting?

19 A So the supervisors,
20 nonrepresentative employees, supervisors and
21 above, and some of our representative folks
22 are, but the individuals who are identifying
23 fire ignitions are part of our line workers
24 and union folks that are out in the field.
25 They're not part of the STIP.

26 Q Would they be reporting up to the
27 people who getting STIP?

28 A Yes. They would be reporting to

1 supervisors.

2 ALJ ALLEN: Thank you. That's all the
3 questions that I had.

4 Any redirect?

5 MR. RUTTEN: May I have a moment, your
6 Honor?

7 ALJ ALLEN: Yes. Off the record.

8 (Off the record.)

9 ALJ ALLEN: Counsel, any redirect?

10 MR. RUTTEN: No, your Honor.

11 ALJ ALLEN: Thank you.

12 Thank you, Mr. Lowe. You are
13 excused. Off the record.

14 (Off the record.)]

15 ALJ ALLEN: On the record.

16 Up first is Mr. Abrams.

17 Mr. Gupta is also excused.

18 MR. WEISSMANN: Thank you, your Honor.

19 William Abrams, called as a witness
20 by William Abrams, having been sworn,
testified as follows:

21 THE WITNESS: I do.

22 ALJ ALLEN: Thank you. Please be
23 seated. State your full name, spell your
24 last name.

25 THE WITNESS: William B. Abrams,
26 A-b-r-a-m-s.

27 ALJ ALLEN: Thank you, Mr. Abrams. I
28 believe we know which testimony is Mr. Abrams

1 and are familiar with his position.

2 MR. ALCANTAR: Yes.

3 ALJ ALLEN: So, Mr. Alcantar, go ahead.

4 CROSS-EXAMINATION

5 BY MR. ALCANTAR:

6 Q Thank you, your Honor.

7 Mr. Abrams, you unfortunately fall
8 into a not very unique set of classes in this
9 state both as a wildfire victim and as a
10 ratepayer, do you not?

11 A I do.

12 Q You're aware are you not of some
13 unique aspects of that position include your
14 appreciation for an RSA that you are involved
15 with; is that fair?

16 A That's correct.

17 Q Are there issues in that RSA that
18 in your estimation as a ratepayer versus a
19 wildfire victim are adverse?

20 A Yes. I have conflicting interests
21 because I'm a ratepayer and because I'm a
22 wildfire survivor given the provisions within
23 the Restructuring Support Agreement. And
24 those are in conflict.

25 Q And can you explain or do you have
26 the legal authority or ability to explain
27 your conflicts that you're identifying here?

28 A I am concerned that I will be used

1 by Pacific Gas & Electric as a way for them
2 to gain financial advantage and for them to
3 be able to have a rationale for why they
4 don't need to be focused more heavily on
5 safety and the metrics associated with that.

6 MR. ALCANTAR: Thank you, your Honor.
7 I have nothing further.

8 ALJ ALLEN: Thank you, Mr. Abrams. You
9 are excused.

10 Next up is Witness Meal I believe;
11 is that correct?

12 MS. HONG: That's correct, your Honor.

13 ALJ ALLEN: Go ahead and call your
14 witness.

15 MS. HONG: The City and County of San
16 Francisco calls Margaret A. Meal.

17 ALJ ALLEN: Thank you.

18 Off the record.

19 (Off the record.)

20 ALJ ALLEN: On the record.

21 Margaret A. Meal, called as a
22 witness by The City and County of San
23 Francisco, having been sworn, testified
24 as follows:

24 THE WITNESS: I do.

25 ALJ ALLEN: Thank you. Please be
26 seated. State your full name. Spell your
27 last name for the record.

28 THE WITNESS: My name is Margaret A.

1 Meal. Spelled M, as in Mary, e-a-l.

2 ALJ ALLEN: Thank you.

3 Ms. Hong?

4 DIRECT EXAMINATION

5 BY MS. HONG:

6 Q Thank you, your Honor.

7 Good afternoon, Ms. Meal. Do you
8 have before you what has been identified as
9 CCSF-01, Prepared reply -- Prepared Reply
10 Testimony of Margaret A. Meal on Behalf of
11 the City and County of San Francisco?

12 A Yes.

13 Q Do you also have before you what
14 has been marked as CCSF-01-E --

15 A Yes.

16 Q -- Errata to Prepared Reply
17 Testimony of Margaret A. Meal on Behalf Of
18 the City and County of San Francisco?

19 A Yes, I do.

20 Q Is it correct that you are
21 sponsoring what has been identified as
22 Exhibit CCSF-01 and CCSF-01-E as your
23 testimony today?

24 A Yes, it is.

25 Q And was your testimony prepared by
26 you or under your supervision?

27 A Yes.

28 Q With the changes reflected in

1 Exhibit CCSF-E-01, is your testimony true and
2 correct to the best of your knowledge?

3 A Yes, it is.

4 Q And to the extent you expressed
5 opinions in your testimony, do those opinions
6 reflect your best professional judgement?

7 A Yes, they do.

8 MS. HONG: Thank you, your Honor. The
9 witness is available for cross-examination.

10 ALJ ALLEN: Thank you.

11 I believe PG&E will be doing the
12 first cross-examination.

13 MR. WEISSMANN: Thank you, your Honor.
14 Can we go off the record for just a moment?

15 ALJ ALLEN: Off the record.

16 (Off the record.)

17 ALJ ALLEN: On the record.

18 Go ahead, Ms. Hong.

19 MS. HONG: And I'd also like to
20 identify for the record Exhibit CCSF-02,
21 CCSF's Responses to PG&E's Data Request, Set
22 CCSF-001, questions 1 through 7,
23 10 through 14, and 18, and 19.

24 ALJ ALLEN: That's identified as
25 CCSF-02.

26 (Exhibit No. CCSF-02 was marked for
27 identification.)

28 MS. HONG: And I'd also like to

1 identify Exhibits CCSF-03, CCSF's Responses
2 to PG&E's Data Request Set CCSF-001!
3 Questions 8 and 9 and 15 through 17.

4 ALJ ALLEN: That was identified as
5 CCSF-03.

6 (Exhibit No. CCSF-03 was marked for
7 identification.)

8 ALJ ALLEN: And in addition, PG&E
9 distributed cross-examination exhibits.
10 There were four of them I believe.

11 Off the record.

12 (Off the record.)

13 ALJ ALLEN: On the record.

14 The first one is PG&E Hearing Room
15 Exhibit Including Moody's Negative Outlook
16 For SCE and SDG&E Dated April 11, 2018.
17 That's identified as PG&E-X-03.

18 (Exhibit No. PG&E-X-03 was marked
19 for identification.)

20 ALJ ALLEN: The second PG&E Hearing
21 Room Exhibit S&P Key Credit Factors for the
22 Regulated Utilities Industry. Dated
23 November 2013. Dated PG&E-X-04.

24 (Exhibit No. PG&E-X-04 was marked
25 for identification.)

26 ALJ ALLEN: Next PG&E Hearing Room
27 Exhibit SDG&E 2020 Cost of Capital Testimony
28 is PG&E-X-05.

1 (Exhibit No. PG&E-X-05 was marked
2 for identification.)

3 ALJ ALLEN: And the last one is PG&E
4 Amendment to Application No. 18-10-003.
5 Dated November 21st, 2018. That's identified
6 as PG&E-X-06.

7 (Exhibit No. PG&E-X-06 was marked
8 for identification.)

9 ALJ ALLEN: That's it.

10 Mr. Weissmann, go ahead.

11 CROSS-EXAMINATION

12 BY MR. WEISSMANN:

13 Q Thank you, your Honor.

14 Good afternoon, Ms. Meal.

15 A Good afternoon.

16 Q My name is Henry Weissmann. I'm
17 one of the counsel representing PG&E in this
18 matter.

19 Please turn to your testimony
20 CCSF-01, page 3, line 22.

21 A I'm there.

22 Q There you recommend that the
23 Commission disallow PG&E from recovering from
24 ratepayers costs associated with its
25 bankruptcy and emergence from bankruptcy;
26 correct?

27 A That's correct.

28 Q So you would have the Commission

1 look to the costs ratepayers will pay
2 compared to the cost they would have paid in
3 a world in which there had been no
4 bankruptcy; correct?

5 A Not exactly. The world in which
6 PG&E had not declared bankruptcy I think is
7 highly speculative. We don't really know
8 what they would have done absent the
9 Chapter 11 filing. Could have been numerous
10 other outcomes. Sale of the company to
11 another utility, break up of the gas and the
12 electric functions.

13 So if I understood your statement
14 correctly, I don't agree.

15 Q So how are we to understand
16 associated with its bankruptcy?

17 A Do you mean the cost associated
18 with the bankruptcy?

19 Q Your statement here is:
20 The Commission should
21 disallow PG&E from
22 recovering from ratepayers
23 costs associated with its
24 bankruptcy and emergence
25 from bankruptcy.
26 Correct?

27 A That's correct.

28 Q And my question is: To determine

1 what those costs are, do you have to compare
2 the plan to a world in which PG&E did not
3 declare bankruptcy?

4 A No. I don't think so. I think
5 there's clearly costs within PG&E's plan that
6 are specific to the plan and can be isolated.

7 Q Okay. But apart from the costs
8 that are specifically laid out in the plan
9 itself, is your testimony limited to the
10 costs that are specified in the plan?

11 A My testimony is -- looks at where
12 ratepayers will land given the Plan of
13 Reorganization and PG&E's emergence from
14 bankruptcy.

15 And in that plan, there are some
16 costs as identified in my testimony that
17 would be -- could be recovered by PG&E from
18 ratepayers. That in turn would increase
19 rates for ratepayers and violate the
20 ratepayer neutrality standard.

21 Q Increase compared to what?

22 A They are costs that would not have
23 been incurred but for -- maybe I'm saying the
24 same thing you are -- but for the Chapter 11
25 bankruptcy.

26 Q Thank you.

27 A However, I'm not intending that to
28 mean how PG&E would have come out -- what

1 they would have done absent the Chapter 11
2 filing.

3 Q Maybe we could clarify further
4 because I'm not tracking. You're saying
5 there's increased costs compared to a
6 situation in which Chapter 11 had not been
7 filed?

8 A I'm saying that there are costs
9 specific to the Chapter 11 filing. And one
10 example would be the debtor in possession
11 financing costs, some legal fees, and things
12 like that, that are specific to the fact that
13 they went through the Chapter 11 process.

14 And I'm just saying that those
15 costs are identifiable. They're not really
16 relative to anything because you don't have
17 that other thing, and they're very
18 identifiable as something specific to
19 Chapter 11.

20 Q Okay. Is your opinion limited to
21 the costs that you just identified?

22 A As you will see in my testimony --
23 I guess I want to understand what context
24 you're talking about costs? And is it in a
25 ratepayer neutrality sense? Or is it --

26 Q I'm referring to your testimony --

27 A Okay.

28 Q -- where you talk about the

1 Commission should disallow PG&E from
2 recovering from ratepayers costs associated
3 with this bankruptcy and emergence from
4 bankruptcy.

5 The question is: What costs do you
6 have in mind?

7 A I mean the costs that are
8 identifiable as specific to the Chapter 11
9 process.

10 Q And the ones that you've mentioned
11 are the debtor in possession financing and
12 the professional fees; correct?

13 A And potentially additional costs
14 going forward.

15 Q What do you mean by "additional
16 costs"? Additional compared to what?

17 A Costs that are inherent in the
18 plan. For example the securitization piece
19 of the plan I believe puts ratepayers at
20 risk. And so although that may not be a cost
21 in dollars, it is a cost to the ratepayers to
22 take on that risk.

23 Q Well, actually securitization is
24 not part of the plan; correct?

25 A With or without securitization,
26 there are costs like that.

27 Q So we're preparing those costs to
28 what? A world in which PG&E had not declared

1 bankruptcy?

2 Let me ask the question
3 differently. How do we know what costs
4 increased as result of the plan?

5 A My testimony outlines some specific
6 example of those, which we could go -- I
7 could point you to those. I'm not -- my
8 testimony is not intended to be an exhaustive
9 list of these costs. It's just intended to
10 show that PG&E's showing has not considered
11 many of these costs.

12 Q And I'm trying to understand these
13 are costs -- does it matter to your analysis
14 whether these costs would have been incurred
15 regardless of the bankruptcy?

16 A I don't think that hypothetical is
17 solvable. We don't know what PG&E would have
18 done absent this Chapter 11 filing.

19 Q So we have no way to compare the
20 costs of the plan to a world in which PG&E
21 didn't file for bankruptcy; correct?

22 A Correct. But I don't think that
23 comparison needs to be made.

24 Q Have you set forth analysis in your
25 testimony of the costs PG&E's ratepayers
26 would have paid in a world in which there was
27 no bankruptcy?

28 A No.

1 Q Absent bankruptcy would you think
2 that PG&E's cost of debt would be comparable
3 to Edison and San Diego?

4 A Can you repeat the part --
5 beginning part of that question?

6 Q Sure. Absent bankruptcy would you
7 expect that PG&E's cost of debt would be
8 comparable to Edison and San Diego?

9 A Within a certain range of interest
10 costs, yes. But I don't know specifically
11 higher or lower. It could be higher or lower
12 or equal.

13 Q Edison's authorized cost of debt
14 for 2020 is 4.74 percent; correct?

15 A I'll accept that that's correct.

16 Q And San Diego's cost of debt
17 authorized by the Commission for 2020 is
18 4.59 percent; correct?

19 A I'll take your word for it.

20 Q And PG&E's anticipated cost of debt
21 post exit is 4.3 percent; correct?

22 A Yes. That's correct.

23 Q Do you contend that PG&E's overall
24 cost of debt on emergence will be higher or
25 lower than it was before PG&E filed for
26 bankruptcy?

27 A I don't contend either way on that.
28 I haven't done that analysis.

1 Q You have no opinion on that topic?

2 A Not without doing further analysis.

3 Q Do you have any opinion as to what
4 PG&E's financial strength or flexibility
5 would have been had it not filed for
6 bankruptcy?

7 A Again, that's a hypothetical that I
8 don't -- I don't know what PG&E would have
9 done absent the Chapter 11 filing. And I
10 would need to make a whole bunch of
11 assumptions to -- and speculate what they
12 might have done in order to make that
13 comparison. And I have not done that.

14 Q So the answer to my question is you
15 have no opinion on that topic?

16 A As I sit here today; that's
17 correct.

18 Q Have you analyzed what PG&E's
19 access to debt would have been without
20 bankruptcy?

21 A Can you give me a specific
22 timeframe for that? I can tell you their
23 access to capital when they were rated
24 investment grade.

25 Q That's not my question. My
26 question is: What would PG&E's financial
27 strength or flexibility have been had PG&E
28 not filed for bankruptcy in January 2019?

1 MS. HONG: Objection, your Honor.

2 Asked and answered.

3 ALJ ALLEN: Overruled.

4 THE WITNESS: Again, I would -- the
5 difficulty I'm having with that question is I
6 don't know what PG&E would have done absent
7 the bankruptcy. They took the step of
8 declaring bankruptcy and filing for
9 bankruptcy. So really from that point on,
10 what they -- what would have otherwise
11 happened would require lots of assumptions.

12 Q And so therefore you have no
13 opinion?

14 A That's correct.

15 Q Okay. Please look at page 19,
16 line 22 of your testimony.

17 A Okay. I'm there.

18 Q Here you criticize PG&E for
19 measuring ratepayer neutrality at one instant
20 in time; correct?

21 A That's correct.

22 Q So are you recommending that the
23 Commission look at PG&E's costs over some
24 future period of time?

25 A In terms of ratepayer neutrality, I
26 think it is critical that one measure -- let
27 me rephrase that for a second.

28 So when you say "costs," are you

1 talking about rates? Are you -- what do you
2 mean by costs?

3 Q Well, what did you mean by costs?
4 What did you mean by ratepayer neutrality as
5 you use that phrase here? What was that in
6 reference to? Costs? Rates? Or something
7 else?

8 A My understanding of ratepayer
9 neutrality covers not just the rates that
10 customers are paying, the risk associated
11 with the financial condition of the company
12 in terms of its abilities to continue
13 investing to provide certain levels of
14 service. And also whatever -- and some sort
15 of standard of level of service that's being
16 provided.

17 Q And in your opinion, are you
18 recommending that the Commission look to
19 PG&E's rates at some future period in time?

20 A No. I'm primarily interested in the
21 risk exposure for the ratepayers.

22 Q Okay. So as it relates to rates,
23 specifically rates, do you have any
24 disagreement with PG&E's evaluation of rates
25 at this instant in time?

26 A No.

27 Q Okay. So talking about risks.
28 Your second point. Do you recommend that the

1 Commission look to the risks to customers at
2 some future date?]

3 A Depending on the construct, yes.
4 For example, as discussed in my testimony,
5 the securitization transfers risks from
6 shareholders to ratepayers. In that instance
7 there is increased risk to the ratepayers
8 during the term of the securitization.

9 Q Right. And you understand
10 securitization is not part of the Plan of
11 Reorganization; correct?

12 A I understand that that's what PG&E
13 has said in their written testimony, but
14 testimony that I'm hearing in the hearings,
15 it's -- what I'm hearing is that there would
16 need to be a Plan B and that would need to be
17 determined at the time of the securitization
18 or the failure to do the securitization.

19 Q Well, we're asking in this
20 application for approval of the temporary
21 utility debt with cap and structure waiver;
22 correct?

23 A That is a way to do what you're
24 talking about.

25 Q Right. And in this proceeding
26 we're not asking the Commission to approve
27 securitization; correct?

28 A That's correct.

1 Q So going back to my question, when
2 you speak of risks resulting from the plan,
3 do you have a period of time, future period
4 of time, in mind?

5 A Given that there's some
6 uncertainties in how PG&E will actually come
7 out of bankruptcy, it's difficult to pin down
8 a time frame, for example, if instead of
9 doing the securitization, the temporary debt
10 is replaced with long-term debt, that is a
11 risk exposure for the ratepayers while that
12 debt is in place.

13 Q Have you identified an end date for
14 determining whether the plan is neutral on
15 average to ratepayers?

16 A Not specifically, no. I do make
17 some recommendations on possible time frames.

18 Q In the future PG&E's costs will
19 change for various reasons; correct?

20 A Yes.

21 Q And its rates will change for
22 various reasons; correct?

23 A Yes.

24 Q And its risks will change for
25 various reasons; correct?

26 A Yes.

27 Q Some of those reasons include
28 spending on system hardening that the

1 Commission may approve?

2 A That's correct.

3 Q And some of those reasons could
4 include changes in the cost of future
5 borrowing; right?

6 A Yes.

7 Q Which could be due to changes in
8 interest rates?

9 A Correct.

10 Q Could be due to changes in the
11 rating agency's views of the California
12 regulatory environment; correct?

13 A Yes.

14 Q Speaking of that subject, please
15 take a look at page 14 of your testimony,
16 line 11.

17 A I'm there.

18 Q Here you're referring to a
19 constructive regulatory environment; yes?

20 A That's correct.

21 Q And you say that a constructive
22 regulatory environment equates to higher
23 risks and costs for PG&E's ratepayers; yes?

24 A It says "a higher degree of
25 constructive regulatory treatment equates to
26 higher risks."

27 Q Okay. Higher compared to what?

28 A Compared to the treatment that was

1 provided in the past.

2 Q At what point in time?

3 A I think here it's reasonable to use
4 a relative, you know, relative to near term
5 treatment, but I do want to point out that
6 the rating agencies look at not just the
7 regulatory treatment at one point in time in
8 terms of its degree of constructiveness and
9 they will look at the history of how a
10 Commission is regulating its utilities.

11 Q Right. But you're saying a more
12 constructive regulatory environment results
13 in higher costs compared to a less
14 constructive regulatory environment? Is that
15 your contention?

16 A Maybe I misspoke. Can you say that
17 again.

18 Q Your statement here on page 14 is
19 that "a higher degree of constructive
20 treatment by the regulator results in higher
21 costs and rates." My question is higher
22 compared to what, a less constructive
23 regulatory environment?

24 A Yes.

25 Q So a less constructive regulatory
26 environment results in lower credit ratings;
27 correct?

28 A The credit ratings depend on a lot

1 of different factors so it would depend on
2 the particular context but as a
3 generalization --

4 Q Yeah.

5 A -- that's accurate.

6 Q All else equal --

7 A Yeah.

8 Q -- lower. All else equal, a less
9 constructive regulatory environment results
10 in a lower credit rating; correct?

11 A Yes.

12 Q Which results in a higher cost of
13 debt; correct?

14 A Yes.

15 Q Which results in higher rates;
16 correct?

17 A All else equal, that's correct.

18 Q Please turn to page eight, line 16.

19 A I'm there.

20 Q So here you're drawing a
21 comparison. And I take it you are comparing
22 PG&E's leverage on excess to PG&E's leverage
23 in an earlier period; is that correct?

24 A I think I'm on the wrong page.
25 Page eight, line 16?

26 Q I have page eight, line 16 just
27 below Figure 1, at least in the version I
28 have. It reads:

1 This comparison also shows that
2 PG&E's financial strength and
3 financial flexibility under PG&E's
4 plan are weak, particularly
5 compared to an earlier period when
6 PG&E was in better financial
7 condition and had investment-grade
8 ratings.

9 Are you with me?

10 A Yes, I thought you had asked
11 specifically about leverage. I must have
12 misheard that.

13 Q So you're comparing PG&E's
14 financial position at emergence to PG&E's
15 financial position in the time period 2016 to
16 2018; correct?

17 A One can draw that comparison from
18 this chart. That's not what I'm using it
19 for.

20 Q Well, when you said compared to an
21 earlier period when PG&E was in better
22 financial condition, what period did you have
23 in mind?

24 A What I'm using is the period of
25 approximately January 2016 through October of
26 2017 as a period of time in which PG&E had,
27 you know, robust investment-grade credit
28 ratings. I'm not really specifically

1 speaking to the date that they filed for
2 Chapter 11 or, you know, these other various
3 dates. I'm just -- I'm looking for
4 something, a reference point to look to today
5 as an indication of a utility with financial
6 strength.

7 Q And PG&E's credit ratings began
8 declining in early 2018; correct?

9 A Yes, that's correct.

10 Q And by July 2018 PG&E's credit
11 ratings were in a low investment-grade level;
12 yes?

13 A I would call BBB investment grade.
14 I'm not sure I would call it low.

15 Q And this point in time, July 2018,
16 is before PG&E filed for bankruptcy; correct?

17 A That's correct.

18 Q And PG&E's credit ratings fell
19 below investment grade in mid-January 2019;
20 correct?

21 A Correct.

22 Q And Moody's downgraded PG&E due to
23 wildfire liabilities, inverse condemnation,
24 potential for future wildfires and the
25 California regulatory environment; correct?

26 A Those factors together with PG&E's
27 financial condition.

28 Q And this downgrade happened before

1 PG&E filed for Chapter 11 on January 29,
2 2019; correct?

3 A Can you -- so I'm looking -- this
4 figure has S&P's ratings. Maybe I'm -- I
5 don't have the Moody's figures right in front
6 of me.

7 Q Sure. If you turn to Attachment L
8 to your testimony, which is Tab 4 in our
9 handy binder, just take a look at the summary
10 page. I think it's laid out there.

11 A Yes. I'm now recalling this. Yes.

12 Q So this was the downgrade they
13 identified factors as wildfire liabilities,
14 inverse condemnation, potential for future
15 wildfires and the California regulatory
16 environment; correct?

17 A Yeah. I would need to -- I think
18 you've captured most everything, yes.

19 Q And so wildfire liabilities, do you
20 understand that to refer to liabilities that
21 could arise from the 2017/2018 fires?

22 A Yes.

23 Q And the other factors are forward
24 looking; correct?

25 A I'm sorry, are you pointing me to a
26 specific paragraph of this or just the report
27 in general? I'm happy to answer either.

28 Q I think it's summarized in

1 the third -- it's summarized throughout this
2 first page.

3 A Right.

4 Q We can go through it line by line.

5 ALJ ALLEN: Let's make sure only one
6 person talks at a time, please.

7 Mr. Weissmann.

8 MR. WEISSMANN: Thank you, your Honor.

9 Q So in the first paragraph, it
10 refers to the political environment, it
11 refers to potential liabilities, it refers to
12 liquidity reserves. Do you see that?

13 A Yes, I do.

14 Q And then the next paragraph talks
15 about potential liabilities arising from
16 those fires; correct?

17 A Yes.

18 Q And then further in the second
19 paragraph Moody's references risks associated
20 with additional wildfire liabilities given
21 the likelihood of future wildfires; correct?

22 A Yes.

23 Q They also refer to inverse
24 condemnation; correct?

25 A Yes.

26 Q They talk about the California
27 regulatory environment in the next paragraph;
28 yes?

1 A Yes.

2 Q Okay. So as we've established,
3 Moody's downgraded PG&E to below investment
4 grade prior to its filing for bankruptcy;
5 correct?

6 A Yes.

7 Q All right. Why are you proposing
8 to use PG&E's credit rating in 2016/2017 as
9 opposed to the national average for
10 investor-owned utilities?

11 A Primarily because it's a
12 straightforward point of reference and
13 doesn't enter in -- you know, you don't bring
14 into that whether the national average is
15 appropriate or not appropriate, but I think
16 the main point of my testimony is that the
17 risk exposure under the financial structure
18 under the plan is highly leveraged on almost
19 any measure in terms of comparisons to other
20 utilities.

21 Q We'll get to that.

22 A Okay.

23 Q But I want to talk about credit
24 ratings. So, the situation in California has
25 changed significantly since the 2016/2017
26 time period; correct?

27 A Yes.

28 Q And, in fact, the credit ratings

1 for other California investor-owned utilities
2 have also fallen since that point in time;
3 correct?

4 A Correct.

5 Q If you will take a look at
6 PG&E-X-03, please, it's Tab 11 in the binder.

7 A Thank you for the tab number.
8 Okay.

9 Q This is a Moody's April 2018 report
10 on Edison; yes?

11 A Yes.

12 Q And it expresses in the first
13 paragraph revising the rating outlook to
14 negative from stable; yes?

15 A Yes.

16 Q And in the next paragraph, Moody's
17 cites the contingent exposure associated with
18 the application of the strict liability
19 standard under inverse condemnation; correct?

20 A Yes.

21 Q Which they cite as causing Moody's
22 to reassess its view of the credit
23 supportiveness of the regulatory environment;
24 yes?

25 A Yes.

26 Q And they also in the last sentence
27 refer to changes in cash flow due to tax
28 reform; correct?

1 A Yes.

2 Q So Edison's credit rating has
3 declined even though it did not file for
4 Chapter 11; correct?

5 MS. HONG: Objection, beyond the scope
6 of the witness' testimony.

7 ALJ ALLEN: Overruled.

8 THE WITNESS: Could you repeat that.
9 BY MR. WEISSMANN:

10 Q Edison's credit assessment has
11 declined even though it did not file for
12 Chapter 11; correct?

13 A Yes, that's correct.

14 Q Let's take a look at a similar
15 thing, Tab 13, which is PG&E-X-05. This is
16 testimony of San Diego Gas & Electric in the
17 cost of capital case. If I could direct your
18 attention, please, to page BM-11.

19 A Okay, I'm there.

20 Q This sets forth a history of San
21 Diego Gas & Electric's credit ratings from
22 2017 forward to the date of this testimony;
23 correct?

24 A Yes.

25 Q And this chart reflects that
26 San Diego's credit ratings have also fallen
27 since 2017; correct?

28 A Yes, that's correct.

1 Q And San Diego Gas & Electric did
2 not file for Chapter 11; correct?

3 A That's correct.

4 Q And Edison's current issue of
5 credit rating is BBB for Standard and Poor's
6 and Baa3 for Moody's; correct?

7 A For Edison, I -- I can accept your
8 figures on that. I don't have that in front
9 of me, though, I don't think.

10 ALJ ALLEN: Mr. Weissmann, just a
11 minute.

12 Let's go off the record.

13 (Off the record.)

14 ALJ ALLEN: On the record.

15 Mr. Weissmann will provide revised
16 copies of PG&E-X-05 for the Commission record
17 with page numbers.

18 MR. WEISSMANN: Thank you, your Honor.

19 Q Turning back to your testimony,
20 Ms. Meal, pages six to seven, Tables 1 and 2,
21 so we'll get to your leverage. I'd really
22 like to focus on Table 2 on page seven. Let
23 me know when you are there, please.

24 A I'm there.

25 Q So here you're estimating debt as a
26 fraction of rate base; correct?

27 A That's correct.

28 Q And the debt that you're including

1 here includes the debt that is being used to
2 fund PG&E's contribution to the wildfire
3 fund; correct?

4 A I'm going to just briefly refer to
5 my work paper. It's also Exhibit B.

6 Q And for clarity, you're looking at
7 Attachment B to your testimony, B like boy?

8 A Yes. So is there a specific piece
9 of debt that you're referring to on this
10 list?

11 Q You're showing total utility debt
12 of 27.35 billion; yes?

13 A Yes, post-emergence excluding the
14 temporary debt.

15 Q Right. And are you aware that PG&E
16 has submitted testimony that it will be using
17 2.5 billion of that amount to fund its
18 contribution to the wildfire fund?

19 A Yes, generally.

20 Q Okay. So wildfire fund
21 contribution is not part of rate base;
22 correct?

23 A I don't think so.

24 Q Right. So that should be
25 subtracted from the debt for purposes of
26 computing debt to rate base; correct?

27 A My calculations take, you know,
28 essentially what I would call balance sheet

1 debt as opposed to regulatory debt as
2 compared to rate base.

3 Q Okay.

4 A So I'm not -- I don't think there's
5 anything to exclude from rate base in my
6 calculation.

7 Q Well, just bear with me on the math
8 then and I understand you don't accept the
9 premise.

10 A Okay.

11 Q If we were to subtract 2.5 billion
12 of the wildfire fund contribution from the
13 27.35 and the ratio would then be 55 percent;
14 correct?

15 A So let me make sure I'm
16 understanding this. So rate base is the
17 same --

18 Q Right.

19 A -- but you're subtracting two and a
20 half billion from the debt.

21 Q Correct. I'm dividing --

22 A The leverage ratio would drop.

23 Q To 55 percent; correct?

24 A I can't do that in my head. Do I
25 need to do it on a calculator?

26 Q Well, I want to just establish that
27 if we make that adjustment, the leverage
28 ratio would be comparable to the time period

1 you cite in Table 2 of 56 percent.

2 A Right, for that particular scenario
3 where we're looking only at the utility level
4 debt --

5 Q Yes.

6 A -- and we're excluding the
7 temporary debt, that's correct.

8 Q Okay. And, in fact, if we were to
9 look forward to 2021 on your Exhibit B,
10 you're showing an increase of rate base to 48
11 billion; correct?

12 A Yes.

13 Q And so what would be the ratio
14 using your methodology for 2021?

15 A Well, first excluding or not
16 excluding the two and a half billion?

17 Q I'm saying using your methodology,
18 so exclude the six billion temporary utility
19 debt but keep the two and a half. Let me
20 restate the question.

21 What would be 27.35 billion as a
22 percentage of 48 billion?

23 A I believe -- I guess I want to be
24 careful I'm doing this right, but I do have
25 the 2021 leverage metrics here and I'm pretty
26 sure that the number you're referring to here
27 is the 57 percent on my Exhibit B, but that
28 would be including the two and a half

1 billion, but I do want to qualify is that --
2 that that assumes no debt is added to support
3 the rate base growth between those two years.

4 Q Okay. We'll come back to that
5 point too. Now, in developing credit
6 ratings, rating agencies look at quantitative
7 metrics like funds from operation to debt and
8 debt to EBITDA; correct?

9 A Yes, among others.

10 Q Have you reviewed these
11 quantitative metrics for PG&E on exit?

12 A I don't think I had access to that
13 information so, no.

14 Q Have you determined or reviewed
15 those quantitative metrics for PG&E in the
16 five-year forecast period following exit?

17 A You're talking specifically about
18 certain metrics?

19 Q Yes, FFO to debt and debt to
20 EBITDA.

21 A Well, I would include in that one
22 also debt to total capital. The three are
23 very similar. And, no, I have not calculated
24 the FFO metrics.

25 Q And do you have an opinion about
26 how those quantitative metrics compare to
27 Edison's?

28 A I do not.

1 Q Do you have an opinion on how those
2 quantitative metrics compare to other
3 investment-grade utilities?

4 A I do not.

5 Q So Mr. Plaster testified that those
6 quantitative metrics are within the range for
7 other investment-grade utilities. Do you
8 have any basis for disagreeing with this
9 opinion?

10 A No.

11 Q Are those quantitative metrics
12 similar to those PG&E had before 2017?

13 A First, I want to clarify that
14 Mr. Plaster's metrics assumed the
15 securitization.

16 Q Are you sure about that?

17 A Yes.

18 Q Okay.

19 A If he used the projections that
20 were provided to the SEC, those did not
21 include the securitization -- I mean, I'm
22 sorry, they do include the securitization.

23 Q But you understand that on exit
24 PG&E will not have securitization; correct?

25 A That's correct.

26 Q So PG&E's credit rating will be
27 dependent not only on its quantitative
28 metrics, but also on the rating agency's

1 evaluation of the regulatory climate;
2 correct?

3 A Absolutely.

4 Q And that evaluation is based on a
5 holistic analysis of the Commission's
6 regulatory policy; correct?

7 A Yes, that's part of the evaluation.

8 Q And that includes evaluation of the
9 predictability and timeliness of Commission
10 decisions; correct?

11 A Yes.

12 Q Turn, please, to page 26 of your
13 testimony.

14 ALJ ALLEN: Mr. Weissmann, let's do a
15 time check. How are you doing on your time
16 here?

17 MR. WEISSMANN: Probably another -- can
18 we go off the record for one second.

19 ALJ ALLEN: Off the record.

20 (Off the record.)

21 ALJ ALLEN: On the record.

22 Mr. Weissmann.

23 MR. WEISSMANN: Thank you.

24 Q Turn to page 26, please, line 17.

25 A I'm there.

26 Q So here you reference your estimate
27 of a debt cost savings of \$600 million using
28 a 10.25 percent discount rate; correct?

1 A It's not really my estimate per se.
2 It's just the result when you use that
3 discount rate of 10.25.

4 Q And turn to page 27, line two.
5 Here you reference a savings in a range of
6 present value 450 million to 600 million;
7 correct?

8 A That's correct.

9 Q And within that range -- sorry,
10 that range is a function of the discount
11 rate; correct?

12 A Yes, but it's using a different
13 methodology --

14 Q Yeah.

15 A -- than used on the previous page.

16 Q I'm aware. We'll get to that.

17 A Yeah.

18 Q First, I want to clarify within
19 this range of 450 to 600, the number depends
20 on the discount rate; correct?

21 A Yes.

22 Q So if we looked at your
23 Attachment P to your testimony, which is
24 Tab 15, the pages aren't really numbered but
25 the second to the last page.]

26 A Yes. If there's a number in the
27 upper right-hand corner.

28 Q Page 2. Thank you.

1 On page 2, if I look to the lower,
2 left-hand corner, I see a variety of
3 percentages from 4 to 75 to 16, and then next
4 to it, I have in parentheses a series of
5 figures; do you see that?

6 A Yes, I do.

7 Q So as an example, using 4.75
8 percent discount rate yields 559 million
9 savings number; yes?

10 A That's correct.

11 Q The 440 is associated with a 16
12 percent discount rate; correct?

13 A That's correct.

14 Q And you don't have an opinion on
15 what the correct discount rate; is that
16 right?

17 A That's right.

18 Q So let's go back to the comment you
19 made a moment ago about the methodology you
20 used to develop this 450 to 600 million. So
21 I think what you did is you compared the
22 interest expense on the existing bonds
23 through their maturity, to the interest
24 expense on the new bonds through their new
25 maturities; correct?

26 A That's correct.

27 Q So if we go to Attachment P, page
28 2, these nice little pictures here in the

1 middle of the bottom of the page are showing
2 the maturities for the existing bonds in
3 blue, and the maturities for the new bonds in
4 this sort of reddish-brownish color; correct?

5 A That's right.

6 Q So what this is showing is that the
7 new bonds have a longer maturity than the old
8 bonds?

9 A Some of them do. Some of have
10 10-year tenure; some have a 30-year maturity.

11 Q But the old bonds tail off around
12 2035 and the new bonds continue through 2050;
13 correct?

14 A That's correct.

15 Q So in a world where we didn't have
16 a bankruptcy and we were using the
17 preexisting bonds, when those bonds matured,
18 would they have been refinanced?

19 A That depends on the particular
20 circumstances at the time. I think it's
21 likely they would be.

22 Q I mean, they are financing rate
23 base; correct?

24 A And rate base declines over time
25 due to depreciation.

26 Q Well, actually, rate base in PG&E's
27 projection increases over time.

28 A Right. If you're building rate

1 base faster than you're depreciating it,
2 then, yes, rate base increases.

3 ALJ ALLEN: Would this be a good time
4 for an afternoon recess?

5 MR. WEISSMAN: May I have about three
6 minutes?

7 ALJ ALLEN: Yes.

8 BY MR. WEISSMAN:

9 Q So do you have an opinion on what
10 the interest rate on replacement bonds would
11 have been?

12 A No.

13 Q We can't speculate about that;
14 right?

15 A You could make some assumptions, I
16 suppose.

17 Q But you're not offering an opinion?

18 A No.

19 Q Okay. So to determine what the
20 true cost is, shouldn't we compare the time
21 period so that they match?

22 A Not necessarily.

23 Q Well, we can't estimate what the
24 cost of the existing debt structure would
25 have been after they matured; correct?

26 A Right. You have to make certain
27 assumptions. One of the reasons I did this
28 calculation this way was primarily for

1 transparency so that you could see where the
2 interest rate savings are coming from, and
3 that doesn't require any assumptions about
4 future interest rates or anything like that.

5 MR. WEISSMAN: Maybe we should take a
6 break, your Honor.

7 ALJ ALLEN: Let's be in recess until
8 2:35 by the wall clock. Off the record.

9 (Recess taken.)

10 ALJ ALLEN: On the record.

11 Mr. Weissman.

12 MR. WEISSMAN: Thank you, your Honor.

13 Q Ms. Meal, staying on Attachment P
14 to your testimony. So just to recap here,
15 you are looking at the interest cost over the
16 life of the existing bonds compared to the
17 interest cost over the life of the new bonds;
18 right?

19 A That's correct.

20 Q And those have different durations;
21 right?

22 A Yes.

23 Q So the extension of the existing --
24 the longer term of the existing bonds does
25 not match the time period of the existing
26 bonds. So I didn't say that correctly. The
27 tenure, the duration, of the new bonds is
28 longer than the duration of the existing

1 bonds; correct?

2 A On average, that's correct.

3 Q Right.

4 And the way PG&E evaluated or
5 estimated the interest costs savings was
6 looking at the interest costs for the new
7 bonds over the time period that the existing
8 bonds would expire; correct?

9 A Yes. I think you're talking about
10 as PG&E clarified in its clarifications?

11 Q Yes.

12 A Yes. I calculated a slightly
13 longer life of the existing bonds, but that's
14 correct.

15 Q Okay. Just going back to one topic
16 quickly that we talked about before. When we
17 were talking about leverage, we talked about
18 the \$2.5 billion of debt that was used to
19 fund the payment to the Wildfire Fund; do you
20 recall that discussion?

21 A Yes.

22 Q That \$2.5 billion of debt that's
23 used to pay the Wildfire Fund, that's not a
24 result of bankruptcy; correct?

25 A I think it's really difficult to
26 separate the two.

27 Q Well, Edison has to pay it -
28 right - their share?

1 A Okay. In that sense, yes.

2 Q And San Diego has to fund their
3 share; correct?

4 A Yes, per AB 1054.

5 Q So under AB 1054, the utilities
6 have to contribute to the Wildfire Fund and
7 they have to finance that, and so, therefore,
8 per AB 1054 -- is what I've said so far
9 correct?

10 A Right. When you say finance, I
11 assume you mean with debt or equity.

12 Q Or both.

13 A Or both, right.

14 Q So to the extent they use debt to
15 finance it, that increases the amount of debt
16 as a ratio of the rate base; right?

17 A That's correct.

18 Q And that's true for all the
19 utilities; correct?

20 A Yes.

21 Q So it has nothing to do with the
22 bankruptcy; right?

23 A The difficulty I'm having with
24 that question is that PG&E filed for
25 Chapter 11 at least in part because of their
26 particular financial situation. So -- and
27 the impacts on the three utilities of the
28 wildfires is very different across the three

1 utilities.

2 So I think it's just difficult to
3 say that the bankruptcy is somehow
4 independent of the wildfire exposure.

5 Q I'm just talking about the
6 financing of the fund contribution.

7 A Yeah. If you -- in isolation, that
8 sounds correct.

9 Q Yeah. That increase in debt to
10 rate base would have happened regardless of
11 the bankruptcy; correct?

12 A Depending on how it was financed,
13 yes, assuming it's all debt.

14 Q Well --

15 A Yes.

16 Q -- 50 percent debt in PG&E's case;
17 correct? Only half of it is financial debt;
18 right?

19 A Yeah. I think you're parsing up
20 the funds a little bit too carefully, but,
21 yes.

22 Q Turn to page 19, line 18, of your
23 testimony, please.

24 A I'm sorry. Which page?

25 Q 19.

26 A Which line?

27 Q 18 to 19.

28 A Yes, I'm there.

1 Q All right. So here you are stating
2 that PG&E's showing of neutrality does not
3 consider service levels and risk exposure;
4 correct?

5 A That's correct.

6 Q And you mentioned that a little bit
7 earlier this afternoon?

8 A Yes.

9 Q So let's talk about service levels
10 first. So on page 20, Footnote 40, you say
11 your testimony, quote, "does not focus on
12 ratepayer neutrality in terms of service
13 levels" end quote; do you see that?

14 A Yes.

15 Q So does this mean you provide no
16 analysis to demonstrate that service levels
17 will decline?

18 A I didn't evaluate service levels in
19 either direction. I'm just pointing out that
20 it's part of the ratepayer neutrality
21 evaluation.

22 Q But you express no opinion on that
23 topic?

24 A That's correct.

25 Q So now let's talk about risk
26 exposure. Have you quantified the cost to
27 ratepayers of what you characterize as risk
28 exposure?

1 A I have not quantified it in
2 dollars. I have quantified it in terms of,
3 as you said, risk exposure. I think it's by
4 definition pretty much necessarily a
5 qualitative assessment.

6 Q Right. Let me restate my question.

7 Have you quantified the cost to
8 ratepayers of this risk exposure?

9 A Only to the extent that higher
10 risks translate to higher costs.

11 Q And I'm asking if you quantified
12 that.

13 A I haven't done a dollar evaluation,
14 no.

15 Q Have you quantified the rate impact
16 to customers of this risk exposure?

17 A Only as far as to say that if risks
18 increase, costs increase, but I have done no
19 further quantification than that.

20 Q So how should the Commission
21 evaluate this unquantified risk relative to
22 the interest cost savings?

23 A It's challenging.

24 Q Do you have a recommendation?

25 A My recommendation is to first
26 ensure that the risk element is considered in
27 an evaluation, and, secondly, that -- I'm
28 sorry. Could you we repeat the question?

1 Q I'm just asking if you have a
2 recommendation for what the Commission is
3 supposed to -- how this Commission is
4 supposed to address or use your opinion about
5 this unquantified increase in risk exposure
6 relative to everything else that we've been
7 talking about in terms of the benefits of the
8 plan.

9 A Right. Thanks for the
10 clarification.

11 I think -- first of all, I think
12 that there probably isn't enough information
13 provided in the filing for the Commission to
14 do a full quantification of that analysis;
15 however, I think what they can tell is that
16 there is incremental risk, but they -- and
17 that incremental risk will translate to cost
18 and that, essentially, PG&E has not made a
19 showing of ratepayer neutrality.

20 Q So is your recommendation the
21 Commission deny approval of the plan?

22 A I don't think that's for me to
23 recommend or not recommend. I don't have a
24 recommendation on that.

25 Q Okay. PG&E's financial strength in
26 the future will depend on factors outside
27 PG&E's control; right?

28 A Yes.

1 Q Like the Commission's actions;
2 right?

3 A Yes.

4 Q And some of those factors are not
5 unique to PG&E; right?

6 A That's correct.

7 Q So how should the Commission
8 isolate the risks created by PG&E's plan, if
9 any, relative to the risks resulting from
10 actions that aren't based on PG&E's plan?

11 A Well, I think the leverage in
12 PG&E's plan can be evaluated as opposed to
13 not being leveraged -- as highly leveraged,
14 particularly in terms of risk exposure.

15 Q That brings us right to our next
16 topic, which is securitization.

17 So, do you understand that Standard
18 and Poor's used securitization as off balance
19 sheet; right?

20 A Yes.

21 Q So under Standard and Poor's view,
22 replacing \$6 billion in temporary utility
23 debt with securitization would improve PG&E's
24 credit metrics, quantitative credit metrics;
25 correct?

26 A On a quantitative basis, yes. I
27 think there's a lot more to this particular
28 securitization than just the math because of

1 types of costs that are being recovered.

2 Q Okay. Right. In fact, another
3 factor the rating agencies would look to in
4 establishing a credit rating is their
5 qualitative assessment of the regulatory
6 environment; correct?

7 A Yes.

8 Q And approval of a financing like
9 securitization could have an impact on that
10 qualitative assessment of the regulatory
11 climate; right?

12 A Yes. From the perspective of PG&E
13 shareholders and bondholders.

14 Q I'm just talking about credit
15 rating.

16 A Right. Okay. From the perspective
17 of bondholders.

18 Q Yes.

19 A Yes.

20 Q So securitization could have a
21 positive impact on both quantitative and
22 qualitative factors affecting PG&E's credit
23 rating; correct?

24 A It would vary depending on the
25 specifics of the situation, but, yes.

26 Q Let's just clarify a point about
27 securitization. Page 16, line 8.

28 A I'm there.

1 Q So you're comparing here the \$7
2 billion securitization to \$6 billion
3 temporary utility debt; right?

4 A That's right.

5 Q And you're suggesting that changing
6 out six billion or seven billion would
7 increase leverage?

8 A Correct.

9 Q But there's also a \$1.35 billion
10 owed to the victim trust; correct?

11 A That sounds right.

12 Q So how are you thinking about that
13 in terms of leverage?

14 A My leverage analysis really only
15 looks at debt levels relative to rate base.

16 Q Okay. So let's say that
17 securitization doesn't happen or put that to
18 one side. PG&E will use the net operating
19 losses to pay down the temporary utility
20 debt; correct?

21 A I think that's what they've said,
22 yes.

23 Q And that would de-lever the company
24 over time; correct?

25 A So you're saying if they use those
26 NOLs to pay down the debt, they would be
27 de-levered?

28 Q Correct. If they use the cash flow

1 from the NOLs to pay down the debt, that
2 would reduce leverage; right?

3 A Yes.

4 Q And that's an outcome that you
5 support?

6 A Yes.

7 Q And you would support the use of
8 the NOLs because that would help reduce
9 leverage?

10 A Correct.

11 Q And if securitization were
12 approved, PG&E could use those same NOLs to
13 pay credits to offset the bond charges;
14 correct?

15 A That's my understanding of PG&E's
16 proposal, yes.

17 Q Okay. We're getting to the end.
18 Page 22, line 11. It's actually
19 page 22, lines 10 through 12 to be more
20 specific.

21 A Yes, I am there.

22 Q So here, you're citing as a risk
23 factor the application or request for a \$2
24 million increase in short-term debt
25 authorization; right?

26 A It's not so much a risk factor as
27 it is a cost.

28 Q A cost. Okay. So a cost compared

1 to what?

2 A Absent having -- absent having this
3 additional short-term debt authorization.

4 Q Okay. So are you positing a
5 hypothetical world in which PG&E didn't
6 declare bankruptcy?

7 A No. I'm just identifying this
8 increase in short-term debt as part of PG&E's
9 plan.

10 Q Right. But that would have been
11 true regardless of bankruptcy; right?

12 A I don't know.

13 Q Well, let me have you take a look
14 at Tab 10, which has been marked as
15 PG&E-X-06. Are you familiar with this
16 document?

17 A Only from this morning.

18 Q So I'll represent to you that this
19 is PG&E's November 21 amendment to its
20 application for short-term -- I'm sorry --
21 November 21, 2018 amendment to its short-term
22 debt application. So this was prior to the
23 bankruptcy; correct?

24 A Yes, that's correct.

25 Q And in application, PG&E asked for
26 \$6 billion; right?

27 A From just a read of the first page
28 or two earlier; that's correct.

1 Q So this happened before the
2 bankruptcy. By the way, did Edison ask for
3 more short-term debt authority?

4 A I don't know.

5 Q Would that be relevant to your
6 opinion?

7 A I don't think so.

8 Q Okay. Let's talk about access to
9 debt post-exit. Now, PG&E has an authorized
10 capital structure set by the Commission;
11 right?

12 A Yes.

13 Q And after exit, PG&E will invest in
14 rate base; right?

15 A Yes.

16 Q And the authorized capital
17 structure is, basically, 52 percent equity,
18 48 percent debt putting aside a tiny bit of
19 preferred?

20 A Right.

21 Q What that means is when PG&E
22 invests in rate base post-exit, it will have
23 to fund 52 percent of that amount with
24 equity; right?

25 A Yes. The reason I'm hesitating on
26 this one is that that may not be true to the
27 extent that certain capital structure waivers
28 have been provided by the Commission, but in

1 general, yes.

2 Q But PG&E is not asking for a waiver
3 with respect to the financing of the rate
4 base; right?

5 A I don't think so.

6 Q So, therefore, 52 percent of new
7 investments in rate base have to be financed
8 with equity in the future; right?

9 A Yes.

10 Q And 48 percent with debt?

11 A Yes.

12 Q And the PUC will authorize the
13 rates to cover that investment?

14 A Yes.

15 Q So is it your opinion that PG&E
16 could not raise that debt to support rate
17 base investment in the future?

18 A It depends. My opinion is that
19 it's very likely that PG&E will be in a
20 weakened financial condition and that may be
21 very difficult.

22 Q Difficult to raise debt to finance
23 rate base in the future supported by 52
24 percent equity?

25 A I think it would be very difficult
26 if PG&E does not have investment grade bond
27 ratings. So if part of the premise of your
28 question is assuming PG&E has investment

1 grade bond ratings, it will be able to access
2 the capital markets.

3 Q Right.

4 And you don't doubt that PG&E could
5 raise debt for the exit; right?

6 A I don't doubt it.

7 Q And the exit financing includes
8 debt?

9 A Yes.

10 Q And that debt will not generate
11 future income, the debt that's used to pay
12 the claims?

13 A Correct.

14 Q Whereas, future debt to support
15 rate base will generate income; right?

16 A Assuming that the rate base is -- I
17 think what's implicit in your question is
18 that the rate base is approved as being
19 prudent and reasonable by the Commission.

20 Q Yes.

21 A Yes.

22 Q Then the answer to my question is?

23 A Yes. What I have not looked at --
24 the reason I'm hesitating is what I have not
25 looked is whether PG&E's rate base grows at a
26 less rapid rate than they're predicting,
27 whether that would work.

28 Q Why would that matter? I'm talking

1 about 48 percent of whatever they add to rate
2 base.

3 A Okay. That's right.

4 Q So you agree with me that that
5 would be easier debt to raise than the exit
6 debt which doesn't generate income; correct?

7 A Yes.

8 ALJ ALLEN: Mr. Weissmann, how much
9 more do you have?

10 MR. WEISSMANN: I'm at my last module.

11 ALJ ALLEN: Is this a big module or --

12 MR. WEISSMANN: No.

13 Q Page 30, line 18.

14 A Line 18; is that what you said?

15 Q Yes. Okay. Here, we're talking
16 about enforcement mechanisms. So let me step
17 back. You agree that PG&E has to rebuild its
18 financial health after emergence --

19 A Yes.

20 Q -- which includes improving credit
21 ratings --

22 A Yes.

23 Q -- which, as we've talked about,
24 depends in part on devaluation of the
25 regulatory environment?

26 A Yes.

27 Q And actions by the Commission that
28 increased volatility or decreased

1 predictability can erode that assessment?

2 A Yes.

3 Q Okay. Let me ask you to turn to
4 page 33, the last page of your testimony, and
5 at line 11, you discuss potential targeted
6 asset sales, contract restructuring, sales of
7 parts of the business, and so on; do you see
8 that?

9 A Yes.

10 Q And you say the value of any of
11 these solutions is necessarily case specific;
12 do you see that?

13 A Yes.

14 Q So you don't attempt to undertake a
15 complete evaluation of these proposals in
16 your testimony; correct?

17 A Correct.

18 Q In fact, you recognize there could
19 be pros and cons?

20 Could you say positive or negative?

21 A Yes. Although that's specific to
22 the impact on PG&E's ratepayers.

23 Q Yeah. I meant pros and cons for
24 ratepayers. Sorry. Thank you for the
25 clarification. So there are pros and cons
26 for ratepayers of these ideas potentially?

27 A Yes.

28 Q And these suggestions would require

1 thorough consideration before being
2 implemented; correct?

3 A Absolutely, but I'm suggesting
4 targeted transactions, not universal set of
5 transactions.

6 Q Understood.

7 However, as we talked earlier
8 today, the Commission has to act by June 30th
9 in order for PG&E to be eligible to
10 participate in the fund; right?

11 A Yes.

12 Q And participation in the fund is in
13 the public interest; right?

14 A I think so, yes.

15 Q So is it your recommendation that
16 the Commission fully evaluate these ideas
17 that you reference on page 33 before issuing
18 its decision on the plan?

19 A I'm not recommending that the
20 Commission do that evaluation. I'm
21 recommending that PG&E investigate those
22 alternatives.

23 Q Prior to June 30th?

24 A Yes.

25 Q Do you think there's sufficient
26 time to accomplish that evaluation?

27 A There may not be now, but there
28 certainly was when certain offers were made

1 for the assets.

2 MR. WEISSMANN: Those are all my
3 questions. Thank you.

4 ALJ ALLEN: Thank you, Mr. Weissmann.
5 Who is up next? Ms. Koss.

6 MS. KOSS: Can we go off the record for
7 just a minute?

8 ALJ ALLEN: Yes. Off the record.
9 (Off the record.)

10 ALJ ALLEN: On the record.

11 Ms. Koss.

12 CROSS-EXAMINATION

13 BY MS. KOSS:

14 Q Good afternoon, Ms. Meal. My name
15 is Rachel Koss. I'm here on behalf of the
16 Coalition of California Utility employees. I
17 have just a couple of questions for you.

18 You were just discussing with
19 Mr. Weissmann your recommendation on the last
20 page of your testimony where to improve
21 PG&E's Plan of Reorganization. You recommend
22 that PG&E reduce debt by selling assets, and,
23 specifically, you recommend that PG&E sell
24 electric distribution assets to San
25 Francisco, but you don't provide the details
26 of how that transaction would happen. Would
27 you agree that that transaction would require
28 asset valuation?]

1 A Yes.

2 Q And would you agree that that
3 transaction would require a determination or
4 an agreement on how to partition any shared
5 assets?

6 A Yes.

7 Q And would you agree that that
8 transaction would require an agreement on the
9 purchase price or if the parties could not
10 come to an agreement or determination?

11 A Yes.

12 Q And would you agree that an asset
13 evaluation process -- or sorry. Valuation
14 process could take several months at a
15 minimum?

16 A Not necessarily, no.

17 Q How long do you think an asset
18 valuation process --

19 MS. HONG: Objection, your Honor.
20 Beyond the scope of the witness's testimony.

21 ALJ ALLEN: Overruled.

22 BY MS. KOSS:

23 Q How long do you think an asset
24 valuation process would take for PG&E's
25 distribution assets in San Francisco?

26 A It depends on a lot of factors.
27 Particularly, PG&E's cooperation in being
28 open book about the assets. I think in that

1 circumstance, the evaluation could be
2 completed very readily. And I think that the
3 level of valuation is an important component
4 of your question. Because you can do some
5 forms of valuation in a very short time
6 period. You know, just one or two months.

7 Q Okay. So a couple of months. And
8 how about determining how to partition shared
9 assets? Would you agree that that could take
10 several months even if both parties were
11 willing and anxious to come to an agreement?

12 A That one is a little out of my
13 purview because it's more of an engineering
14 question. So I think that one is very case
15 specific, and I couldn't comment here.

16 Q Okay. What about an agreement or
17 it comes to a court determination on the
18 purchase price? That could take perhaps
19 years before the trial and appeals are
20 concluded; is that right?

21 A Can you tell me what you -- what
22 kind of court litigation you're talking
23 about?

24 Q Yes. So if in this case San
25 Francisco and PG&E could not agree on a
26 purchase price for those assets, it becomes a
27 court proceeding, a court determination. And
28 so there would be full fledged pleadings on

1 how to value those assets.

2 MS. HONG: Objection to the line
3 questioning.

4 ALJ ALLEN: Sustained.

5 BY MS. KOSS:

6 Q Okay. So given that it would take
7 the first step, which is asset valuation
8 would take at least a couple of months as you
9 testified, is it fair to say that the process
10 for the transaction that you propose in your
11 testimony could not be completed before the
12 record of this proceeding closes in a couple
13 of weeks?

14 A I don't know the answer to that.
15 It depends on many many factors.

16 Q You did testify that the asset
17 valuation alone would take a couple of
18 months; right?

19 A And that's starting from ground
20 zero. We have done our own asset valuation
21 work already. PG&E I'm sure has done some
22 level of asset valuation work on their side.
23 I think it's very difficult to condemn to a
24 limited time period, a specific time period.

25 Q So it's your opinion that it is
26 possible for a transaction whereby PG&E could
27 sale -- all the prep work for a transaction
28 whereby PG&E sold its electric distribution

1 assets to San Francisco could be done before
2 this proceeding closes?

3 A Yes, it's possible.

4 Q Okay.

5 MS. KOSS: I have no further questions.

6 ALJ ALLEN: Thank you, Ms. Koss.

7 Next cross-examiner?

8 Mr. Bloom, do you have cross?

9 MR. BLOOM: We do not, your Honor.

10 ALJ ALLEN: Okay. Mr. Abrams.

11 BY MR. ABRAMS:

12 Q Thank you, your Honor.

13 Thank you, Ms. Meal.

14 I had just a few questions for you
15 regarding your testimony. I'm a resident of
16 Sonoma County, and I want to understand the
17 implications of what you're discussing in
18 your testimony for PG&E's reorganization.
19 And want to understand first your
20 characterization of PG&E's safety culture.

21 As you look through their
22 testimony, can you characterize your
23 interpretation of their safety culture?

24 A Are you pointing to a specific part
25 of my testimony or just broadly?

26 Q Broadly.

27 A I am sorry. Can you ask the
28 question again?

1 Q Sure. Can you give me your -- can
2 you characterize the PG&E safety culture in
3 terms of their history and what they propose?
4 How would you characterize their safety
5 culture?

6 A I haven't really -- I haven't
7 really specifically looked at their quote
8 unquote "safety culture." I know they have
9 had a lot of safety issues historically.

10 Q At the bottom of your testimony on
11 page 31, you state:

12 It seems appropriate for
13 PG&E -- sorry.
14 Inappropriate for PG&E to
15 suggest that the Commission
16 should preclude
17 consideration of
18 municipalization and any
19 other open Commission
20 proceeding.

21 Given that, is it the opinion of the
22 City and County of San Francisco that you
23 would like to ensure that the Plan of
24 Reorganization leaves open a possibility of
25 municipalization?

26 A Yes.

27 Q And can you help me understand why
28 that is? Why are you now looking at

1 municipalization as an option moving forward?

2 MR. WEISSMANN: Objection.

3 Municipalization is outside the scope.

4 ALJ ALLEN: I am sorry. What was the
5 question exactly?

6 MR. ABRAMS: I directly quoted her
7 testimony where she says:

8 It seems inappropriate for
9 PG&E to suggest that the
10 Commission should preclude
11 consideration of
12 municipalization in any
13 open Commission proceeding
14 --

15 ALJ ALLEN: Right. And the question
16 is?

17 MR. ABRAMS: The question is: Why is
18 the City and County of San Francisco looking
19 to maintain that option open? That they can
20 --

21 ALJ ALLEN: Overruled.

22 You may answer the question.

23 THE WITNESS: San Francisco has looked
24 at municipalization for some time. We have
25 been looking at it closely very prior to
26 PG&E's recent filing for bankruptcy. And
27 essentially we feel that this is a good time
28 given PG&E's need for cash up front. And we

1 saw the bankruptcy as an opportunity for that
2 to happen to benefit both sides.

3 Q So would you say that there are
4 financial benefits for San Francisco to leave
5 that option open?

6 A I'm not sure what you mean by
7 financial benefits. But benefits more
8 broadly. It gives us control over how our --
9 the grid in San Francisco is built out in the
10 future.

11 Q Thank you. What percentage of San
12 Francisco is in the high fire threat
13 district? Are you familiar with that at all?

14 A I am familiar with it. I'm subject
15 --

16 MS. HONG: Objection. Beyond the scope
17 of the witness's testimony.

18 ALJ ALLEN: I'll allow it. Go ahead.

19 THE WITNESS: Subject to check, I
20 believe there are no parts of San Francisco
21 that are part of that. I do know that the
22 Hetch Hetchy system, which extends up into
23 the sierras, does have some assets in those
24 areas.

25 Q Are you aware that significant
26 portions of PG&E territory outside San
27 Francisco is considered the high fire threat
28 district?

1 A Yes.

2 Q Given that, is it safe to -- is it
3 a safe assumption that in San Francisco there
4 is lower risk of catastrophic wildfires than
5 compared to other PG&E territory outside San
6 Francisco?

7 A Yes. But I have to say there are
8 other catastrophic events that would happen
9 in San Francisco that might not happen in
10 other areas.

11 Q Are you aware of what the, I guess,
12 the price sensitivity is of a typical San
13 Francisco resident --

14 MS. HONG: Objection, your Honor.

15 ALJ ALLEN: Sustained.

16 BY MR. ABRAMS:

17 Q Are you aware of what the price
18 sensitivity is of a typical San Francisco
19 resident in terms of energy rates?

20 MS. HONG: Again, your Honor,
21 objection. This is beyond the scope.

22 ALJ ALLEN: Sustained.

23 BY MR. ABRAMS:

24 Q Let me ask it a different way. Are
25 you aware that the median income of Sonoma
26 County is less than median income of San
27 Francisco?

28 MS. HONG: Objection.

1 ALJ ALLEN: Sustained.

2 BY MR. ABRAMS:

3 Q If San Francisco is on a path for
4 municipalization, does it not leave other
5 portions of PG&E territory with higher risk
6 and the possibility of less return because
7 San Francisco has charted a path towards
8 municipalization?

9 MS. HONG: Same objection, your Honor.

10 ALJ ALLEN: Overruled.

11 As long as it's -- when you're
12 talking about risk, is this wildfire or all
13 risk?

14 MR. ABRAMS: Wildfire risk.

15 ALJ ALLEN: Sustained.

16 MR. ABRAMS: All risk.

17 (Laughter.)

18 ALJ ALLEN: Overruled.

19 To the extent you can answer.

20 THE WITNESS: My answer to that is not
21 necessarily. One thing -- it's certainly in
22 the public offers, the offer that we made.
23 San Francisco acknowledges that we will pay
24 our fair share related to the wildfire risk
25 issues in California. We are not questioning
26 that at all.

27 BY MR. ABRAMS:

28 Q Last question, I'll run the risk

1 of --

2 Is the municipalization of San
3 Francisco in some ways can that be seen as
4 isolating riskier parts of the PG&E grid with
5 potentially less rate base to support those
6 risks?

7 MS. HONG: Objection, your Honor.
8 Beyond the scope of the witness's testimony.

9 ALJ ALLEN: Overruled.

10 I see it as a policy question.

11 THE WITNESS: So I am sorry. Could you
12 say that one more time? I think I got it.
13 Could you repeat the question?

14 BY MR. ABRAMS:

15 Q Sure. So could the
16 municipalization path of San Francisco be
17 seen as a isolating a greater share of the
18 risks outside of San Francisco in PG&E
19 territory with less -- with less ratebase to
20 address those risks?

21 A I don't think so. Because the loss
22 of ratebase -- with the loss of ratebase also
23 comes loss of obligations. And so I don't
24 think you can make that -- you can't say it's
25 going to go one way or the other.

26 MR. ABRAMS: No more questions. Thank
27 you.

28 ALJ ALLEN: Thank you, Mr. Abrams. I

1 see no more cross listed for Ms. Meal; is
2 that correct?

3 (No response.)

4 EXAMINATION

5 BY COMMISSIONER RECHTSCHAFFEN:

6 Q Ms. Meal, I have one question for
7 you. Mr. Weissmann was asking you questions
8 about the end dates for evaluation of the
9 neutral on average determination. Do you
10 have a recommendation for what the end date
11 should be for that determination?

12 A It depends on -- the recommendation
13 in my testimony I do make a couple of
14 recommendations that it be tied to the extent
15 to which any ratepayer risk exposure is in
16 place.

17 So for example the securitization,
18 I think is an appropriate time for moving
19 through the term of the securitization.

20 Q And apart from securitization, what
21 would the end date be?

22 A That's a good question. I'm
23 thinking that there is other elements of
24 PG&E's plan that are pretty much TBD, and may
25 or may not be effective. For example the
26 regional restructuring plan.

27 So anything where there's a time is
28 required for PG&E to demonstrate that it has

1 not imposed undue risk on its ratepayers
2 would be appropriate.

3 COMMISSIONER RECHTSCHAFFEN: Thank you.

4 ALJ ALLEN: Thank you.

5 Ms. Hong, any redirect?

6 MS. HONG: None, your Honor.

7 MR. WEISSMANN: Can I just point out,
8 your Honor, while we asked that very question
9 that Commissioner Rechtschaffen asked as a
10 data request, which is Question No. 7. So
11 this is CCSF-02, Question No. 7. That direct
12 question was asked and answered by them.

13 ALJ ALLEN: It was answered?

14 MR. WEISSMANN: Yeah. Their answer was
15 they don't have an end date.

16 ALJ ALLEN: Okay.

17 THE WITNESS: May I clarify?

18 ALJ ALLEN: Well, it is --

19 MR. WEISSMANN: It's in the record.

20 ALJ ALLEN: -- your exhibit. It's in
21 the record.

22 Ms. Hong, are you sure you have no
23 redirect?

24 REDIRECT EXAMINATION

25 BY MS. HONG:

26 Q So, Ms. Meal, Commissioner
27 Rechtschaffen's question was with respect to
28 if you have any recommendations. And I think

1 the question in the data request response --
2 can we go off the record for one second,
3 please?

4 ALJ ALLEN: Off the record.

5 (Off the record.)

6 ALJ ALLEN: Back on the record.

7 Ms. Hong.

8 BY MS. HONG:

9 Q Thank you, your Honor.

10 Ms. Meal, were you stating that San
11 Francisco had necessarily has an opinion on
12 the end date of ratepayer neutral? Or were
13 you trying to be responsive to Commissioner
14 Rechtschaffen's question and provide some
15 example of when ratepayer neutral --
16 ratepayer neutral could be considered?

17 A Yes. And I want to clarify that in
18 the data request response, it asked for a
19 very specific end date. And I am not
20 recommending a specific end date. I think it
21 needs to be based on some of the factors that
22 I've just mentioned. For example the term of
23 securitization is unknown at this point.

24 ALJ ALLEN: Anything more?

25 MS. HONG: No, your Honor.

26 ALJ ALLEN: Okay. Thank you, Ms. Meal.
27 You are excused.

28 THE WITNESS: Thank you.

1 ALJ ALLEN: Let's go off the record.

2 (Off the record.)

3 ALJ ALLEN: On the record.

4 So what we're going to do tomorrow
5 is we will start with Mr. Dahlzelle as the
6 first witness, then Beach, then Gorman, then
7 we will go to Mr. Long and/or Mr. Finkelstein
8 in an order to be determined.

9 Mr. Bloom is going to confer with
10 Mr. Long and Mr. Finkelstein about the amount
11 of distribution of cross.

12 Anything else we need to address on
13 the record today?

14 Ms. Kelly?

15 MS. KELLY: Yes, your Honor. I just
16 have a quick clarification that I'd like to
17 understand. It was my understanding this
18 morning that counsel for PG&E disclosed that
19 the financing order of the bankruptcy court
20 was going to issued?

21 MR. WEISSMANN: No. I disclosed that a
22 amended backstop commitment letter had been
23 filed with the AK yesterday and will be filed
24 with the court.

25 MS. KELLY: With the bankruptcy court?

26 MR. WEISSMANN: Right.

27 MS. KELLY: So that financing filing
28 the debtors second amended motion for entry

1 of orders enters into various debts and fees
2 just came out today along with their
3 declaration.

4 And the parties here have extended a
5 great deal of time and effort on the
6 testimony as it has existed to date and the
7 many modifications of PG&E's testimony. Just
8 my request is that as soon as practicable, we
9 receive information on what is actually being
10 considered here.

11 MR. WEISSMANN: Yes. As I stated this
12 morning, the backstop commitment -- are we on
13 the record?

14 The backstop commitment letter is --
15 the old one is not in the record. So neither
16 is the new one. It's referenced in
17 Mr. Wells' testimony that there is a backstop
18 commitment letter. And for that reason, I
19 wanted to update the parties that that has
20 been filed. But it's not -- we're not
21 seeking to introduce it into the record.
22 It's an equity backstop.

23 ALJ ALLEN: Does that answer your
24 inquiry, Ms. Kelly?

25 MS. KELLY: Yes, your Honor.

26 ALJ ALLEN: Okay. Anything else to
27 address on the record?

28 (No response.)

1 ALJ ALLEN: Seeing none, this hearing
2 is adjourned.

3 (Off the record.)]

4 (Whereupon, at the hour of 3:27 p.m.
5 this matter having been continued to
6 9:00 a.m. March 4, 2020 at
7 San Francisco, California, the
8 Commission then adjourned.)

9 * * * * *

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, ANDREA L. ROSS, CERTIFIED SHORTHAND REPORTER
NO. 7896, IN AND FOR THE STATE OF CALIFORNIA, DO
HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT
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TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN
THIS MATTER ON MARCH 3, 2020.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE
EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS MARCH 06, 2020.

A handwritten signature in black ink, reading "Andrea L. Ross". The signature is stylized with a large, looped "R" and a cursive "A".

ANDREA L. ROSS
CSR NO. 7896

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

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A handwritten signature in black ink, appearing to read 'JAS STACEY', written over a horizontal line.

JASON A. STACEY
CSR NO. 14092

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

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CSR NO. 8916

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